

HARD COPY

**UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION**



**ADMINISTRATIVE PROCEEDING
File No. 3-16354**

In the Matter of

**David B. Havanich, Jr.,
Carmine A. DellaSala,
Matthew D. Welch, Richard
Hampton Scurlock, III, RTAG
Inc. d/b/a Retirement Tax
Advisory Group, Jose F.
Carrio, Dennis K. Karasik,
Carrio, Karasik & Associates,
LLP, and Michael J. Salovay,**

Respondents.

**DIVISION OF ENFORCEMENT'S MOTION FOR PARTIAL SUMMARY
DISPOSITION AGAINST RESPONDENTS RICHARD HAMPTON SCURLOCK, III
AND RTAG INC.**

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I. Introduction

For more than two years, at a time when they were not registered as brokers or dealers with the Securities and Exchange Commission, Richard Hampton Scurlock, III and his company, RTAG Inc. d/b/a Retirement Tax Advisory Group (collectively, “Respondents”), sold bonds issued by Diversified Energy Group, Inc. In total, approximately 50 of Respondents’ clients bought Diversified bonds, which resulted in Diversified paying Respondents commissions totaling approximately \$448,000. Scurlock, an investment adviser, conducted due diligence on Diversified, including speaking with Diversified officials, discussing with RTAG clients and other potential investors the suitability of Diversified bonds as an investment, helping investors complete the paperwork, and receiving from Diversified a 5% or 10% commission on the amount invested.

As detailed below, these facts entitle the Division to summary disposition against Respondents on the issue of whether they violated Section 15(a)(1) of the Securities Exchange Act of 1934 (“Exchange Act”), which requires persons acting as brokers to be registered with the Commission. Section 15(a)(1) requires no showing of scienter, and the undisputed facts show that in addition to receiving transaction based compensation—a key factor in determining broker status—Respondents brokered multiple sales over an extended time period, advised prospective investors whether or not to buy Diversified’s bonds, and helped clients complete the paperwork needed make the investment. These undisputed facts compel a finding as a matter of law that Respondents violated Section 15(a)(1) by acting as brokers in connection with the sale of Diversified bonds and by failing to register while they were doing so.

II. Statement of Facts

Scurlock is a resident of Lexington, Kentucky.¹ During the relevant time period, Scurlock owned RTAG, a Kentucky corporation and Kentucky registered investment adviser.² Between 2009 and 2012, neither Scurlock nor RTAG was registered as a broker or dealer with the Commission.³

Scurlock first learned about Diversified in 2008 at a TD Ameritrade-sponsored conference for independent investment advisors.⁴ Scurlock heard from other attendees that the yield on Diversified's securities compared favorably to the yield on certificates of deposit.⁵ Scurlock then researched Diversified by checking with the Commission and the Better Business Bureau, "Googling," and speaking with Diversified, primarily respondent Matthew Welch, who described Diversified's business in detail.⁶ Scurlock talked to Welch because he "just wanted to be certain before we put my money or any client's money with [Diversified],"⁷ and they spoke "multiple, multiple times before we decided to move forward."⁸ Diversified also sent Scurlock its brochure and private placement memorandum ("PPM").⁹

On December 15, 2009, Scurlock entered into a written agreement with Diversified, which contemplated that Scurlock would introduce investors to Diversified in exchange for a commission, labeled a "finder's fee," of 5% of the invested amount.¹⁰ However, at some point

¹OIP, § II, ¶ 4; Ans. ¶ 3.

²OIP, § II, ¶¶ 4, 5; Ans. ¶ 3.

³Exh. 1, Scurlock's Investigative Testimony ("Scurlock Test."), at 25:7-17, 74:23-75:6. RTAG continues to be an investment adviser only and not a registered broker dealer. See Exh. 2 (current version of RTAG's Central Registration Depository information).

⁴Exh. 1, Scurlock Test., at 26:17-27:1.

⁵*Id.* at 27:2-19.

⁶*Id.* at 28:23-38:3.

⁷*Id.* at 29:25-30:1.

⁸*Id.* at 53:15-20.

⁹*Id.* at 38:18-39:1.

¹⁰OIP, § II.E ¶ 1; Ans. ¶ 10; Exh. 3 (finder's agreement); Exh. 1, Scurlock Test., at 69:4-10.

the 5% became 10%¹¹ As Respondents put it in a form RTAG filed with the State of Kentucky, Scurlock had “an arrangement with Diversified . . . that compensates him for finding investors”¹² The investments in question were Diversified bonds.¹³

Although the “finder’s” agreement states on its face that Scurlock would merely provide Diversified with the names and addresses of prospects, Scurlock admitted that in reality, the relationship worked differently.¹⁴ In fact, Scurlock would provide prospective investors with Diversified’s PPM and brochure and would discuss with them the merits of the investment “in pretty good detail,” including the “risk factors”; with many clients he discussed “multiple issues Sometimes at quite a bit of length.”¹⁵ After Scurlock learned in November 2011 that Diversified was in worse shape than he thought, he limited his recommendation of Diversified bonds to the “small minority” of his clients who “ha[d] the money and were willing to kind of take that risk.”¹⁶

Scurlock would help investors complete the Diversified-required forms, and at least once he completed the paperwork for the client to sign.¹⁷ Scurlock would also determine whether his clients were accredited and thus eligible to invest.¹⁸ Sometimes investors would send checks directly to Diversified; sometimes Scurlock would forward a client’s check to Diversified.¹⁹

¹¹Exh. 1 (Scurlock Test.), at 69:22-70:6.

¹²Exh. 4 (RTAG Form ADV, Part 2A, June 30, 2011), at Item 2.

¹³*E.g.*, Exh. 5 (PPM dated Oct. 6, 2011); Exh. 1 (Scurlock Test.), at 70:14-21; Exh. 6 (excerpt from bond brochure).

¹⁴Exh. 1 (Scurlock Test.), at 72:9-73:15.

¹⁵*Id.* at 54:19-56:7, 56:21-23; Exh. 5 (example of Diversified’s PPM); Exh. 6 (example of Diversified’s brochure).

¹⁶Exh. 1 (Scurlock Test.), at 44:20-49:22.

¹⁷*Id.* at 61:6-22, 62:3-18.

¹⁸Exh. 1 (Scurlock Test.), at 62:19-63:12.

¹⁹*Id.* at 60:17-61:5.

In addition to Scurlock, RTAG had two associated advisers who sold Diversified bonds to a total of 2 or 3 investors.²⁰ Diversified paid the commissions from these sales to either Scurlock or RTAG, which passed through 100% of the funds to one of the advisers and approximately 50% to the other.²¹

During the period January 2010 through March 2012, Scurlock successfully solicited at least 46 investors,²² more than half of whom were Scurlock's advisory or tax clients.²³ All but one were from Kentucky.²⁴ Diversified was a Delaware corporation with its place of business in Tequesta, Florida and it deposited investor funds in Regions Bank.²⁵ During this period, Diversified paid commissions to Scurlock and RTAG totaling, respectively, \$352,808.64 and \$95,441.09.²⁶ Assuming a 10% commission rate, this would mean Scurlock's clients purchased more than \$4 million in Diversified bonds.

III. Memorandum of Law

A. Summary Disposition is Appropriate

The Law Judge should grant a motion for summary disposition if there is “no genuine issue with regard to any material fact and the party making the motion is entitled to summary disposition as a matter of law.” 17 C.F.R. § 201.250(b). A party opposing summary disposition “may not rely on bare allegations or denials but instead must present specific facts showing a

²⁰Exh. 1 (Scurlock Test.), at 17:9-15, 17:25-18:10.

²¹*Id.* at 18:24-20:15.

²²Exh. 7 (Diversified's records of payments to Scurlock in 2010 and 2011). Diversified's records show 95 separate payments to Scurlock in 2010 and 2011. Assuming all of the names that appear more than once are persons who either invested more than once or renewed, this still leaves 46 separate investors.

²³Exh. 1 (Scurlock Test.), at 65:7-21.

²⁴*Id.* at 65:22-66:1.

²⁵Exh. 5 (Diversified PPM), at 1; Exh. 8 (FDIC summary showing Regions Bank is headquartered in Birmingham, Alabama with 1647 branches in 16 states). The Law Judge may take official notice of the FDIC information. *See* 17 C.F.R. § 201.323.

²⁶Exh. 7 (Diversified's records of payments to Scurlock in 2010 and 2011); Exh. 9 (Forms 1099 issued by Diversified to Scurlock and RTAG for 2010 through 2012).

genuine issue of material fact for resolution at a hearing.” *Daniel Imperato*, AP File No. 3-15628, 2015 WL 1389046, *6 (Mar. 27, 2015) (Commission Opinion). For the non-moving party to establish that a material fact is in “genuine” dispute, he ““must do more than simply show that there is some metaphysical doubt as to the material facts.”” *Michael Lauer*, AP File No. 3-13265, 2009 WL 211383, *2 (Jan. 29, 2009) (Commission Opinion) (quoting *Matsushita Electric Industrial Co., Ltd. v. Zenith Radio Corp.*, 475 U.S. 574, 586 (1986)). Here, the facts set forth above are not reasonably subject to dispute and, as shown below, these facts entitle the Division to summary disposition as a matter of law with respect to the issue of whether Respondents violated Exchange Act Section 15(a)(1).

B. The Undisputed Facts Show that Respondents Violated Exchange Act Section 15(a)(1)

Exchange Act Section 15(a)(1) makes it “unlawful for any broker [either entity or natural person] to make use of the mails or any means or instrumentality of interstate commerce to effect any transactions in, or to induce or attempt to induce the purchase or sale of, any security . . . unless such broker . . . is registered in accordance with [Exchange Act Section 15(b)].” 15 U.S.C. § 78o(a)(1). Exchange Act Section 3(a)(4)(A) defines a “broker” as “any person engaged in the business of effecting transactions in securities for the account of others.” 15 U.S.C. § 78c(a)(4)(A). Section 15(a)(1) is a strict liability offense with no requirement of scienter. See *Anthony Fields*, AP File No. 3-14684, 2015 WL 728005, *17 (Feb. 20, 2015) (Commission Opinion); *Gualario & Co.*, AP File No. 3-14340, 2012 WL 627198, *9, *14 (Feb. 14, 2012) (Initial Decision) (regulatory official’s alleged verbal approval of sales by unregistered broker “is not a defense to the registration violation”).

1. Use of Mails/Interstate Commerce

The Exchange Act defines interstate commerce to include both “trade, commerce, transportation, or communication among the several States” and “intrastate use” of telephonic or other interstate means of communication and any other interstate instrumentality. 15 U.S.C. § 78c(a)(17); *see United States v. Kunzman*, 54 F.3d 1522, 1527 (10th Cir. 1995) (requirement satisfied in part by “numerous checks drawn and deposited in banks involved in interstate commerce”). Here, as noted above, 46 of Scurlock’s clients, all but one in Kentucky, bought millions of dollars worth of bonds of Diversified, a Delaware corporation located in Florida, with \$448,000 in commissions flowing back to Respondents in Kentucky. Scurlock “probably” mailed checks to Diversified on behalf of clients and he knew that clients mailed their own checks to Diversified,²⁷ which deposited their funds into Regions Bank, a large bank doing business in many states. Scurlock also had telephone conference calls with his clients and a representative of Diversified, which would mail Scurlock packets of information.²⁸ Under these circumstances, the requirement of the use of interstate commerce and the mails is clearly satisfied.

2. The Diversified Bonds Were Securities

The Diversified bonds qualify as securities under Exchange Act Section 3(a)(10), which includes a “bond” within the list of instruments constituting securities. 15 U.S.C. § 78c(a)(1); *see United States v. Rudi*, 902 F. Supp. 452, 457 (S.D.N.Y. 1995) (“The [Exchange] Act . . . defines a ‘security’ to include a bond.”).

²⁷Exh. 1 (Scurlock Test.), at 60:17-61:5.

²⁸*Id.* at 70:24-71:9.

3. Respondents Were Not Registered

As detailed in the statement of facts, at the time of the Diversified sales neither Scurlock nor RTAG were registered as brokers or dealers with the Commission.

4. Respondents Acted as Brokers

Exchange Act Section 3(a)(4)(A) defines a broker as “any person engaged in the business of effecting transactions in securities for the account of others.” 15 U.S.C. § 78c(a)(4)(A). “The phrase ‘engaged in the business’ means a level of participation in purchasing and selling securities involving more than a few isolated transactions; there is no requirement that such activity be a person’s principal business or the principal source of income.” *Anthony Fields*, AP File No. 3-14684, 2015 WL 728005, *18 (Feb. 20, 2015) (Commission Opinion) (quotations and alterations omitted). Indications of broker activity “include holding oneself out as a broker-dealer, recruiting or soliciting potential investors, handling client funds and securities, negotiating with issuers, and receiving transaction-based compensation.” *Id.* The receipt of “transaction-based compensation is one of the hallmarks of being a broker-dealer.” *Gualario & Co.*, AP File No. 3-14340, 2012 WL 627198, *14 (Feb. 14, 2012) (Initial Decision).

Scurlock and RTAG clearly satisfy the test for broker conduct. The sales were regular and not isolated: 46 clients over a 27-month period. By his own admission, Scurlock solicited potential investors, had detailed conversations with them to determine whether the Diversified bonds were suitable investments, helped his clients prepare the necessary documents, on occasion handled client funds, had extensive discussions with Diversified, and received \$448,000 in transaction based compensation. Under these undisputed facts, Scurlock and RTAG acted as brokers. *See Fields*, 2015 WL 728005, *18 (finding respondent violated Section 15(a)(1) where

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CERTIFICATE OF SERVICE

I hereby certify that an original and three copies of the foregoing were filed with the Securities and Exchange Commission, Office of the Secretary, 100 F Street, N.E., Washington, D.C. 20549-9303, and that a true and correct copy of the foregoing has been served by U.S. Mail, on this 22nd day of May 2015, on the following persons entitled to notice:

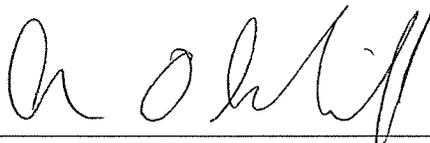
The Honorable Carol Fox Foelak
Administrative Law Judge
Securities and Exchange Commission
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

In the Matter of)
) File No. FL-03747-A
DIVERSIFIED ENERGY GROUP, INC.)

WITNESS: Richard Hampton Scurlock, III

PAGES: 1 through 112

PLACE: U.S. Attorney's Office

260 W. Vine Street, Suite 300

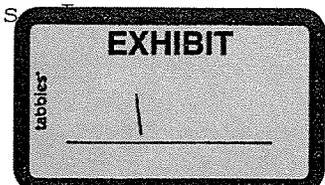
Lexington, Kentucky

DATE: Tuesday, July 9, 2013

The above-entitled matter came on for hearing,
pursuant to notice, at 9:10 a.m.

Diversified Reporting Services

(202) 467-9200



1 APPEARANCES:
 2
 3 On behalf of the Securities and Exchange Commission:
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 5 ERIC R. BUSTO, ESQ.
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 9 Miami, Florida 33131-4801
 10
 11 On behalf of the Witness:
 12 RICHARD HAMPTON SCURLOCK, III, PRO SE
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1 PROCEEDINGS
 2 MS. SPRINGER-CHARLES: We are on the record at
 3 approximately 9:10 a.m., on June 9th, 2013, (sic). My
 4 name is Shelly-Ann Springer-Charles. With me is Eric
 5 Busto, Assistant Regional Director. Eric and I are
 6 members of the staff of the Enforcement Division of the
 7 Securities and Exchange Commission.
 8 We're officers of the Commission for the
 9 purposes of this proceeding. Let the record reflect that
 10 we are located in the offices of the Miami Regional
 11 Office of the U.S. SEC in Miami, Florida, and are
 12 participating in this proceeding via video-conferencing.
 13 Mr. Scurlock is testifying in this proceeding from the
 14 U.S. Attorney's office in the Eastern District of
 15 Kentucky in Lexington, Kentucky.
 16 I will swear the witness now. Please raise
 17 your right hand.
 18 Whereupon,
 19 RICHARD HAMPTON SCURLOCK, III
 20 having been first duly sworn, was called as a witness
 21 herein, was examined and testified as follows:
 22 EXAMINATION
 23 BY MS. SPRINGER-CHARLES:
 24 Q Please state your full name and spell your name
 25 for the record. You can put your hand down.

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1 A Richard Hampton Scurlock. R-I-C-H-A-R-D.
 2 Hampton, H-A-M-P-T-O-N. Scurlock, S-C-U-R-L-O-C-K.
 3 Q This is an investigation by the United States
 4 Securities and Exchange Commission in the matter of
 5 Diversified Energy Group, Inc. to determine whether there
 6 have been violations of certain provisions of the federal
 7 securities laws.
 8 However, the facts developed in this
 9 investigation might constitute violations of other
 10 federal or state civil or criminal laws.
 11 Prior to the opening of the record, you were
 12 provided with a copy of the formal order of investigation
 13 in this matter. It will be available for your
 14 examination during the course of this proceeding.
 15 Mr. Scurlock, have you had an opportunity to
 16 review the formal order?
 17 A Yes, ma'am.
 18 Q You've been previously handed Diversified
 19 Exhibit Number 1. It's a copy of a form - the
 20 Commission's Supplemental Information Form 1662. Prior
 21 to the opening of the record you were provided with that.
 22 Have you had an opportunity to read Diversified Exhibit
 23 1?
 24 A Yes, sir.
 25 Q Do you have any questions concerning

1 Diversified Exhibit 1?

2 A No, ma'am.

3 Q Mr. Scurlock, are you represented in this
4 matter by counsel?

5 A No, ma'am.

6 Q Besides yourself and the court reporter, is
7 there anyone else in the room with you?

8 A No. No, there isn't.

9 Q You have the right to be accompanied,
10 represented and advised by counsel. This means that you
11 may have an attorney present and that your attorney can
12 advise you before, during and after your examination here
13 today. Do you understand this?

14 A Yes, ma'am.

15 Q Since you are not represented by counsel,
16 there's certain matters discussed in Diversified Exhibit
17 Number 1 that I want to highlight for you.

18 Do you understand that upon your request, these
19 proceedings will be adjourned so that you may obtain
20 counsel?

21 A Yes, ma'am.

22 Q Do you understand that the statutes set forth
23 in Diversified Exhibit Number 1 provide criminal
24 penalties for knowingly providing false testimony or
25 knowingly using false documents in connection with this

1 investigation?

2 A Yes.

3 Q Do you understand that you may assert your
4 rights under the Fifth Amendment to the Constitution and
5 refuse to answer any questions which would tend to
6 incriminate you?

7 A Yes, ma'am.

8 Q I'm going to ask the court reporter to mark the
9 document in the folder labeled B, which is a copy of a
10 subpoena dated June 13th, 2013, as Diversified Exhibit
11 152.

12 (SEC Exhibit Number 152 was marked
13 for identification.)

14 BY MS. SPRINGER-CHARLES:

15 Q Mr. Scurlock, I believe you've been handed a
16 copy of Diversified Exhibit Number 152. Is it a copy of
17 the June 13th, 2013, subpoena?

18 A Yes, ma'am.

19 Q Is that a copy of the subpoena that you are
20 appearing pursuant to here today?

21 A Yes.

22 Q I'm going to ask the reporter to mark a copy of
23 the document in the folder labeled C, which is a copy of
24 a subpoena dated January 31, 2013, as Diversified Exhibit
25 Number 153.

1 (SEC Exhibit Number 153 was marked
2 for identification.)

3 COURT REPORTER: Exhibit 153 marked.

4 BY MS. SPRINGER-CHARLES:

5 Q You've been handed Exhibit Number 153, Mr.
6 Scurlock. The subpoena calls for the production of
7 certain documents. Have you tendered to the staff all
8 documents called for by the subpoena?

9 A Yes, I believe so. We sent them -- most of
10 them electronically.

11 Q Can you please describe the search that was
12 conducted for the subpoenaed documents and state who
13 conducted the search?

14 A I'm -- I want to make sure I understand you.
15 You want me to state that it was done for the SEC for the
16 Florida office related to this subpoena and Diversified
17 Energy Group?

18 Q No, to describe the search that was conducted
19 for the document -- the subpoenaed documents and state
20 who actually conducted that search.

21 A Oh, okay. That would have been my wife and
22 myself for the -- I guess all the client documents,
23 folders, brochures, subscription documents, everything
24 related to Diversified Energy Group.

25 Q Can you describe exactly what you did to locate

1 the documents?

2 A Sure. We went through all of our records,
3 files, pulled out the literature, anything that
4 Diversified Energy Group had mailed to us. There was old
5 -- I guess old subscription documents, blank ones. They
6 had I guess a couple folders, their literature that they
7 had sent to us. And then we looked for e-mails or any
8 documents, anything related to Diversified Energy to
9 forward on to the SEC as requested.

10 Q Have you withheld any documents called for by
11 the subpoena based on any claim of privilege?

12 A A claim of -- I'm sorry, I didn't understand
13 that last part. We've sent everything that we've been
14 able to to the SEC.

15 Q I guess the question is, did you withhold
16 anything called for by the subpoena based on any claim of
17 privilege?

18 A No. No, I'm sorry, I didn't understand what
19 claim of privilege was.

20 Q Okay. So you did not withhold anything called
21 for by the subpoena?

22 A No, ma'am.

23 Q Were any documents called for by the subpoena
24 not produced for any other reason?

25 A No, ma'am.

1 Q For example, that they were no longer in your
2 possession or somehow, you know, that they were lost or
3 destroyed or otherwise disposed of.

4 A No, ma'am, not that I know of.

5 Q We had conversed about the e-mail address I
6 guess that you maintained prior to your present e-mail
7 address. Would you like to discuss with us, I guess on
8 the record, why e-mails weren't produced related to your
9 prior e-mail address?

10 A Certainly. We produced I guess which ones we
11 did have. Years ago we had shortened our domain name and
12 changed hosting companies. And when we did that, the old
13 information was no longer accessible or no longer being
14 used. We've tried to, I guess, recoup that information
15 and have gotten -- tried multiple times with the company
16 named Image here locally that was unable to pull up old,
17 I guess the old web site or old e-mail from years ago. I
18 think we produced a letter from the company president
19 stating that they had tried and had been unsuccessful
20 because it was actually hosted through Melbourne IT,
21 which is a division of Microsoft and they no longer
22 hosted it or had access to that information.

23 Q I noticed that you, I guess, produced a certain
24 PPM and brochure and business plans related to
25 Diversified, but it does not appear to be all of the PPMs

1 related to investments that your clients were in. Did
2 you ever have those documents and somehow they were
3 either disposed of or you no longer possess them?

4 A I'm sorry, you're referring to -- okay, PPMs.
5 And you're saying we did not have them or did not send?
6 I'm trying to understand the question. Because we --
7 this is the only private placement --

8 Q Right, I believe I only received -- go ahead.

9 A I'm sorry. I didn't know if you were relating
10 to any other private placements. This is the only one
11 that we've dealt with and probably the only one we'll
12 ever deal with after dealing with this fiasco. How many
13 did you say you received or how many were you --

14 Q Right, that's my question. Based on what I
15 have in my notes, I only received one and it was the most
16 recent offering memorandum related to Diversified. I
17 believe that there were clients of yours that invested
18 back through -- I guess starting in 2009. And I wondered
19 why we only received that last offering memorandum.

20 A I believe we sent all of them. We even have --
21 we still have blanks of those as well.

22 Q Okay. Just from our records, we did not
23 receive all of the PPMs related to all of the offerings
24 in which your clients invested. So maybe after testimony
25 we can follow up, just to make sure that we have

1 everything that you have in your possession.

2 A Okay, I thought we sent all the PPMs, but -- so
3 you need them from 2009?

4 Q I guess the subpoena covers everything that you
5 have in your, I guess, custody, possession or control.
6 And so that was -- if you do have those documents still,
7 we would like to have a copy of whatever you have that's
8 related to Diversified.

9 A Okay.

10 Q Mr. Scurlock, I have to ask this question. Are
11 you on any medication that would impact your memory or
12 your ability to understand and respond to questions?

13 A No, ma'am.

14 Q Let me briefly explain the procedure we'll
15 follow today. We will be asking questions, if at any
16 time if you want to take a short break to use the
17 bathroom or drink some water, feel free to tell us and we
18 will try and accommodate you, although we're over here.

19 Also the court reporter transcribes these
20 proceedings and will create a transcript of your
21 testimony at the end. During your testimony, any member
22 of the staff may ask a question or series of questions.
23 Please allow the staff to complete the question before
24 responding.

25 If we talk over one another, the record of

1 testimony will not be clear. If you do not understand a
2 question, please let us know that so that we can try to
3 clarify the questions for you. Please make sure to
4 answer my questions verbally because the court reporter
5 cannot pick up nodding or any other gesture. Do you
6 understand?

7 A Yes, ma'am.

8 Q You may tell me at any time if you'd like to
9 change or modify a previous answer. I also wanted to
10 inform you that we do not have conversations off the
11 record. When we go off the record and we talk, I will
12 summarize what we have talked about when we go back on
13 the record. Do you understand?

14 A Yes, ma'am.

15 Q During the course of your testimony today, I'm
16 going to ask you questions about things that happened or
17 may have happened in the past. Obviously time has gone
18 by since those events and you are likely to have a better
19 memory -- a better or more complete memory of some events
20 than others.

21 In answering a question about the events,
22 however, you should tell me about all your memories or
23 recollections that are responsive to the question, not
24 just those that are specific or perfectly clear or those
25 of which you are 100 percent sure.

1 I'm going to ask you for vague memories,
 2 general memories, cloudy memories and/or memories of
 3 which you are less than 100 percent certain. In other
 4 words, I'm asking you for any responsive recollection
 5 whatsoever you may have however incomplete or uncertain
 6 or vague or non-specific it may be. We can then sort out
 7 which memories are clear and certain and which are less
 8 clear and less certain. Do you understand this?
 9 A Yes, ma'am.
 10 Q Therefore, if you answer I don't recall or I
 11 don't remember or I forget, I will assume that you have
 12 no memory or recollection whatsoever that is responsive
 13 to the questions asked. Not even fuzzy or less than
 14 crystal clear memories. Do you understand that?
 15 A Yes, ma'am.
 16 Q It may be that reviewing certain documents
 17 refreshes your recollection to the events you are
 18 questioned about. In such a case, I'm asking for your
 19 testimony and everything that is responsive to the
 20 question. Not just clear or specific recollections. Do
 21 you understand that?
 22 A Yes, ma'am.
 23 Q I'm going to ask the court reporter to mark the
 24 document in the folder labeled D, which is a completed
 25 background questionnaire, as Diversified Exhibit 154.

1 (SEC Exhibit Number 154 was marked
 2 for identification.)
 3 COURT REPORTER: 154 has been marked.
 4 BY MS. SPRINGER-CHARLES:
 5 Q You've been handed Diversified Exhibit Number
 6 154. Is -- do you recognize that document?
 7 A Yes, ma'am.
 8 Q What is it?
 9 A It's the questionnaire that was attached to the
 10 most recent subpoena.
 11 Q Did you provide all of the answers contained in
 12 this exhibit by yourself?
 13 A Yes, ma'am.
 14 Q Are all the answers contained in the exhibit
 15 accurate and complete to the best of your knowledge?
 16 A They are. In 17 -- Number 17, I see should be
 17 checked "yes". I listed the organizations but did not
 18 check the box "yes". But everything else looks very
 19 thorough and complete.
 20 Q What is Retirement Tax Advisory Group?
 21 A We're an independent RIA in the State of
 22 Kentucky, a Registered Investment Advisor.
 23 Q How long has that RIA been in existence?
 24 A Several years before any dealings with
 25 Diversified Energy.

1 Q Prior to 2000 or after?
 2 A After.
 3 Q And what is your current profession?
 4 A Financial Planner.
 5 Q And since when have you been a Financial
 6 Planner?
 7 A Since college. That would be 1999.
 8 Q For how many clients do you currently provide
 9 advisory services?
 10 A Our firm or me personally?
 11 Q Both.
 12 A Both? We're over a couple hundred for the
 13 firm. For me personally it's probably closer to 100.
 14 But we also have about 120 or so -- a hundred plus tax
 15 clients. So it would be a couple hundred for me
 16 personally.
 17 Q I guess just advisory services, how many
 18 clients do you have?
 19 A Probably just under -- for me personally around
 20 the 100 mark or just under 100 accounts.
 21 Q And how many assets does your firm have under
 22 management or hold under management?
 23 A We're under 25 million, so we're at the state
 24 level.
 25 And I couldn't give you an exact amount on that because

1 some of them are two of the advisors' custody at a firm
 2 and I'm not sure what the current -- their current assets
 3 are.
 4 Q Is it over 20 million?
 5 A No, no.
 6 Q For you personally, how much assets do you have
 7 under management?
 8 A Under 10 million.
 9 Q How many other employees did Retirement Tax
 10 Advisory Group have between 2009 and March of 2012?
 11 A One employee and a couple of independent
 12 contractor advisors. I believe there was probably four
 13 advisors during that time that are independent
 14 contractors or have a securities license and then one
 15 employee.
 16 Q What was the name of the one employee and what
 17 was their role?
 18 A That's my wife Misty Scurlock. She did
 19 administrative kind of support services.
 20 Q And so that's for the entire period between
 21 2009 and March 2012, correct?
 22 A Yes. I believe she started in 2009, I'm not
 23 sure of her exact start date but pretty much for that
 24 whole time. Possibly for that whole time.
 25 Q And what were the names of the independent

1 contractor advisors and what years did they provide those
2 services -- and for what years, between 2009 and March of
3 2012?

4 A The first one, John Cooper and I believe he
5 started in 2010. It may have been 2009. And he's still
6 currently active with the firm.

7 Kenneth Garrett was there from -- during 2009
8 through 2011 I believe. The end of 2011.

9 John Scalf was there probably for 2010 -- no,
10 2011 to 2012.

11 Q Can you spell his last name, please?

12 A Yes, ma'am. And he was not -- he was dealing
13 on the insurance side, so he wasn't doing anything with
14 securities. But it's S as in Sam, C as in cat, A-L-F.

15 Q Okay.

16 A And then we've had two newer advisors that I
17 believe started in 2012, and they had no dealings with
18 Diversified. Ryan Finnell and Jonathan Davis.

19 Q And that was F-I-N-E-L-L?

20 A Two N's and two L's.

21 Q So presently the three that you have are John
22 Cooper, Ryan Finnell and Jonathan Davis?

23 A Yes, ma'am.

24 Q Did Mr. Cooper, Mr. Garrett and Mr. Scalf have
25 dealings with Diversified?

1 Q And I'm sorry, I believe you talked about it,
2 but how did it work with Mr. Garrett?

3 A Usually in the industry there is like an income
4 split, so the firm will keep a certain percentage and the
5 individual or the advisor will keep a certain percentage.
6 And that covers overhead, expenses, licensing, et cetera.
7 And so we had an agreement with him and so we just
8 treated it as any other income.

9 Q What was the percent in split between the firm
10 and Mr. Garrett as it related to Diversified investment?

11 A Okay, it escalated over time. It typically
12 increased for the advisor. I believe at that time he was
13 close to either a -- he started at a 50/50 split and then
14 I think it went up to where he was keeping 60 percent
15 before he left and started his own firm.

16 Q Did Mr. Cooper and Mr. Garrett receive fees
17 from Diversified either through -- I guess passed through
18 from the firm as it related to re-investments?

19 A I don't think so. I think they just each had
20 one client and I don't know if their clients re-invested
21 or not, it's been so many years. And I think Mr.
22 Cooper's client started late, so I don't even think she
23 re-invested hers.

24 Q So I guess your best recollection is that they
25 received a one time fee for the initial investments?

1 A John -- Mr. Scalf did not. I believe Mr.
2 Cooper had one client and Mr. Garrett may have had one or
3 two clients, I believe.

4 Q Did Mr. Cooper and Mr. Garrett receive any fees
5 related to the clients that they had then invested in
6 Diversified?

7 A Yes, ma'am, I believe they did.

8 Q Did they both have agreements with Diversified?

9 A No, our firm did and I did.

10 Q Did you receive any fees related to Mr. Cooper,
11 Mr. Garrett's clients investment in Diversified?

12 A I believe Mr. Cooper's was all passed along to
13 him and Mr. Garrett had a split with the firm and that
14 was just honored or treated as other compensation from,
15 you know, management fees and other income.

16 Q What did you mean by Mr. Cooper's was all
17 passed along to him?

18 A I believe he kept 100 percent, because he
19 usually keeps between 90 and 100 percent of any income
20 that he generates.

21 Q And so the fees were sent directly from --
22 transferred directly from Diversified to him?

23 A No, I believe everything was paid to me or my
24 firm and then we had to write checks or pay those two
25 individuals.

1 A I believe so and I don't think they were in
2 long enough to re-invest. At least Mr. Cooper's client
3 was not. I believe.

4 Q Okay. Were either Mr. Cooper or Mr. Garrett
5 associated with a registered broker dealer at any time
6 while they worked -- or while they were independent
7 contractors with Retirement Tax Advisory Group?

8 A I don't believe so. One of our advisors is,
9 but I don't -- neither of them were not.

10 Q Which one of the advisors is registered?

11 A Ryan Finnell.

12 Q And when did he start work with Retirement Tax
13 Advisory Group?

14 A Just within the past -- a little over a year
15 ago, so it was after the -- he had no dealings with
16 Diversified Energy, but I don't know the exact -- I don't
17 know his exact start date.

18 Q Did Mr. Cooper or Mr. Garrett speak with anyone
19 at Diversified?

20 A I'm sure they did. And we typically -- the
21 individual we spoke the most with was Matthew Welch.

22 Q So all three of you spoke primarily with Mr.
23 Welch?

24 A Yes, ma'am.

25 Q How often did you speak with Mr. Bellisari or

1 **Mr. Havanich?**
 2 A I don't remember speaking with those
 3 individuals. I think I've heard the names. I've spoken
 4 with Candie who was up at their office before.
 5 **Q Have you ever been affiliated with a registered**
 6 **broker dealer?**
 7 A Back in the late '90s up through 2002, 2003
 8 possibly.
 9 **Q And what brokers or dealers were those?**
 10 A American Express Financial Advisors.
 11 **Q Okay.**
 12 A Was the main one and then -- that was for '99
 13 through 2002 I believe and then for part of 2002 or 2003
 14 we was with Ameritas.
 15 **Q Were those the only two?**
 16 A I believe so. It's been so many years, it's
 17 been almost -- it's been over a decade I guess.
 18 **Q And were you a registered rep?**
 19 A Yes.
 20 **Q And what did you do when you worked with**
 21 **American Express Financial Advisors?**
 22 A Financial planning, we offered investments. I
 23 was insurance -- insurance licensed so we could offer
 24 insurance products.
 25 **Q Anything else?**

1 A No. What were you -- were you looking for
 2 anything in particular?
 3 **Q No, I'm just asking generally what you did.**
 4 A Oh, okay.
 5 **Q So you offered securities products and**
 6 **insurance products?**
 7 A Yes, ma'am.
 8 **Q Or sold. And the same question for Ameritas,**
 9 **what did you do with them?**
 10 A The exact same.
 11 **Q What did you do with World's Gym?**
 12 A I worked there while I was in college. And so
 13 it was in their membership department. And that was the
 14 late '90s, '97, '98 roughly.
 15 **Q Have you ever heard of a company called Synergy**
 16 **Investment Group, LLC?**
 17 A Yes. That was -- that was a broker dealer
 18 probably -- oh, that was a broker dealer I was affiliated
 19 with temporarily, probably right -- I don't know if it
 20 was before or after Ameritas. They're also an
 21 independent -- or they work with independent firms as
 22 well.
 23 **Q How long were you affiliated with that broker**
 24 **dealer?**
 25 A I would guess about a year.

1 **Q Again, in the capacity as a registered rep,**
 2 **correct?**
 3 A Yes, ma'am.
 4 **Q What is IDS Life Insurance Company?**
 5 A That is an affiliate or I believe a subsidiary
 6 of American Express Financial Advisors. It used to be
 7 IDS.
 8 **Q And did you have any --**
 9 A And then they became Amer --
 10 **Q Did you have any relationship with that --**
 11 A Yes. All American Express financial advisors
 12 at that time, that's where their insurance licenses were
 13 held. I believe it was the insurance agency of American
 14 Express Financial Advisors.
 15 **Q So you were affiliated with them during the**
 16 **same time that you were affiliated with American Express?**
 17 A Yes, all financial advisors that had an
 18 insurance license were affiliated with both companies.
 19 **Q And what is First Investors Corporation?**
 20 A That is an internship I had while in college.
 21 They're located in Lexington, Kentucky. Probably the
 22 1998 through -- I graduated in '99, so probably through
 23 part of '99 as well.
 24 They had an insurance company and also -- I
 25 believe they're a broker dealer, but I was not securities

1 licensed with them. Did an internship and believe
 2 started getting my insurance licenses at that time.
 3 **Q You did not have your securities license at**
 4 **that time, I'm sorry, is that what you said?**
 5 A Correct. I was still in college doing an
 6 internship.
 7 **Q So the last time that you were affiliated with**
 8 **a broker dealer was in about 2003?**
 9 A I believe so, 2003 and maybe 2004. I didn't
 10 know we would be -- I could have brought --
 11 **Q Why is that?**
 12 A I'm sorry?
 13 **Q Why is that?**
 14 A I liked the RIA or the independent model
 15 better. And so when we launched an RIA we were not duly
 16 registered or did not need to be affiliated with a broker
 17 dealer.
 18 **Q Why did you like the RIA model better?**
 19 A It seemed simpler and better for the client.
 20 More transparent.
 21 **Q In what way?**
 22 A It was more transparent and there wasn't quotas
 23 and you didn't have -- you weren't working for a big firm
 24 like an American Express or a company that could limit
 25 your offerings to your clients.

1 **Q What securities or commodities license have you**
2 **held?**

3 A I've never held any -- never done anything with
4 commodities licensing, but in the past I've held life
5 insurance, health insurance, variable products, Series 6,
6 Series 7, Series 63, Series 65, certified financial
7 planner designation and I've either had a Series 24 or
8 26, I'd have to go back and check. And that was kind of
9 a supervisory license that I did not really use and it's
10 been several years. And I believe that covers most of
11 the licenses and designations.

12 **Q Currently which license do you maintain?**

13 A Certified financial planner, which I guess is
14 the equivalent of a 65, which allows you to do --
15 basically have an RIA in the state -- well, in the State
16 of Kentucky. The other licenses I do not need and...

17 **Q When did you first learn about Diversified?**

18 A I had been on a couple of the national
19 conferences that TD Ameritrade offers for independent
20 advisors. I'd heard some advisors talking about their
21 products or their investments. I believe Kenneth Garrett
22 was with me at the national conference that year. And
23 then after learning about it, I started to do a little
24 bit more research, which I'm sure you'll probably ask
25 about here in a minute. And that was probably in 2000 --

1 I guess 2008. I could be off by a year.

2 **Q Do you know who at the conference you heard --**
3 **heard about Diversified from?**

4 A No, I don't know. There was probably 1,000
5 plus attendees and just heard a few individuals talking
6 about it. And I asked about a little bit more
7 information and I do not remember their names or even
8 what state they were from.

9 **Q And what were they saying about Diversified at**
10 **that time?**

11 A They were just saying that -- they were talking
12 about other private placements and it was good yielding
13 or short term options for clients compared to CDs.

14 **Q Anything else?**

15 A They didn't have a whole lot of -- I didn't ask
16 a whole lot of information. They didn't have, you know,
17 literature with them, it was just casual conversation.
18 Other companies were mentioned as well. I think some
19 limited partnerships and some publicly traded companies.

20 **Q Did you recommend any of those other companies**
21 **to any of your clients?**

22 A Over the years I have clients that have gone
23 into -- some of them had already had these investments,
24 such as Kinder Morgan, and AmeriGas is a publicly traded
25 partnership. So we have clients that come to us that

1 already have those investments and I typically stay away
2 from the exotic or non-traded or not your traditional
3 investment. So, no, I typically -- no, I've not
4 recommended any other of those investments. Although
5 clients do have them.

6 **Q So Diversified in the only private placement**
7 **that you have recommended to clients?**

8 A Yes, ma'am. Probably will be the only one we
9 ever offer. Only non-publicly traded investment we'll
10 offer.

11 **Q Why?**

12 A Well, evidently they've -- I don't know if
13 they've done anything wrong, but they changed the terms
14 on investors and, you know, we're not happy with them and
15 the compliance risk is too great, even though we relied
16 on TD Ameritrade and we tried to do our due diligence,
17 but relied on TD Ameritrade to do due diligence on the
18 company and evidently they weren't as strong or -- they
19 had to change the terms of their investment to their
20 investors. So we're just going to stay away from them
21 altogether in the future and hopefully, you know,
22 eliminate any issues like this.

23 **Q You mentioned that after talking to those other**
24 **advisors at the conference, that you then went and did**
25 **your own research. Can you discuss for us exactly what**

1 **research you did?**

2 A Sure. Well, we're a small firm but we checked
3 with the SEC, looked for any complaints, checked the
4 Better Business Bureau. Of course we Googled the
5 company. They also had a write-up or information -- it
6 was either Business Week or Forbes had an article, had
7 their information listed on that web site. So they
8 seemed to be very credible and reputable. No complaints
9 with the Better Business Bureau or anywhere we could find
10 at that time. And then we turned -- when we were
11 considering offering it on Ameritrade's platform, we
12 asked them to do their research. And they had forms and
13 an individual, I believe John Warnock was who we dealt
14 with up there at Ameritrade, so they could do their due
15 diligence before approving them to put on their platform
16 of being able to offer them to our clients and Ameritrade
17 would hold the assets or send out statements.

18 And I'm not sure what their process was as far
19 as screening the companies, but it took them several
20 weeks I believe before we heard back that DE --
21 Diversified Energy was approved.

22 And we also did call up their home --
23 Diversified Energy Group's office and talk to their
24 employees, predominantly Matthew Welch at the time, just
25 asking questions. Because we just wanted to be certain

1 before we put my money or any client's money with them.

2 **Q And what questions did you ask Mr. Welch?**

3 A There was a whole laundry list of them. How
4 long they'd been in business; what were they using the
5 funds for. After we determined that we asked if they did
6 -- were doing any exploratory drilling, if they did any
7 off-shore drilling, had they had any defaults. You know,
8 some of the background information about the individuals
9 there. And a lot of it was outlined in their brochures
10 or offering documents. At some point they talked about
11 their geologist and their -- I guess the president or
12 their executive -- executive's experience at some of the
13 big firms. Like Conoco Phillips or BP or Gulf, they had
14 several big companies that they had worked for in the
15 past.

16 **Q I guess I'll go down the list of things that**
17 **you just mentioned. What did Mr. Welch tell you about**
18 **how Diversified would use the funds invested?**

19 A They would use -- well, what we were told was
20 they would use them to buy existing oil producing or oil
21 and natural gas producing wells in various states.
22 They'd buy some at auction. Well, we learned this -- you
23 know, in time they were buying -- we were told they were
24 buying that at auction many times.

25 **Q Did he tell you that the funds would be used**

1 **for anything else?**

2 A That was -- he said capital investment, but it
3 made it sound like it was to produce -- or purchase
4 producing oil and natural gas wells.

5 **Q What did he tell you about any exploratory**
6 **drilling?**

7 A They were just dealing with current existing
8 producing wells. And originally they had nothing off-
9 shore. I know that was a concern because of the oil
10 spills or environmental regulations or issues. And I
11 think that later on they added an off-shore well, at
12 least that's what we were told. But initially they did
13 not have any.

14 **Q And what did he tell you about any defects?**

15 A They -- they did not mention they'd had any.
16 And I couldn't find any history of any actions against
17 the company or judgments, lawsuits, complaints, anything.
18 We looked -- we looked for a while and then we couldn't
19 find anything and turned it over to TD Ameritrade to do
20 their research.

21 **Q And what did Mr. Welch tell you about the**
22 **backgrounds of the individuals that worked at**
23 **Diversified, and if you can be specific by name that**
24 **would be helpful?**

25 A I couldn't be specific by name because it's

1 been so long. I couldn't even name -- you know, name the
2 names from memory. But evidently a few of them had
3 worked as executives or worked with some of the big oil
4 firms. I think Conoco Phillips was mentioned. I think BP
5 or Gulf was mentioned. And that they had a geologist or
6 a seismic geologist that they worked with. I don't know
7 if it was an employee or on staff or what, but that was
8 mentioned as well. That they had experience and, you
9 know, a track record in the industry.

10 **Q So in addition to the geologist he stated that**
11 **a few of the employees worked for those big oil and gas**
12 **companies that you mentioned?**

13 A Yes.

14 **Q Previously?**

15 A Previously. And I'm not sure who worked for
16 which firms, but I know a few of the big firms were named
17 and that tended to lend a bit more, you know, credibility
18 to them.

19 **Q And what did he tell you about the role of the**
20 **geologist as it related to any work with Diversified?**

21 A He didn't elaborate on it too much. I guess it
22 sounded like they either used the geologist or -- I'm not
23 sure if it was to determine the reserve amount or what
24 wells to buy, but it sounded like, you know, he had a
25 role there. And I'm not very familiar with -- I've never

1 drilled for oil and I'm not extremely familiar with that
2 industry. So they were just explaining it on a, you
3 know, real basic level.

4 **Q Did he tell you that the geologist estimated**
5 **the reserves of the wells that they were going to invest**
6 **in?**

7 A I don't know if he said the geologist does, but
8 he did mention that they were -- there was estimates
9 made. And I would tend to believe that a geologist or a
10 team of geologists or some type of -- there has to be a
11 way to estimate that, but I'm not sure how it was done.

12 **Q He did not say how it was done?**

13 A I don't know if I asked how it was done
14 exactly.

15 **Q What else do you remember him telling you about**
16 **the role of the geologist?**

17 A Not -- not much. I didn't really ask or I
18 didn't think to ask, you know, how they come up with the
19 reserve amounts or who's doing the -- who's doing those
20 calculations. But it would make sense, you know, that
21 they had a geologist on staff. I'm not sure what his or
22 her name was or if they were an employee or an
23 independent contractor that worked with the company. But
24 it seems like it would be a beneficial --

25 **Q So you were under --**

1 A I'm sorry?

2 **Q You were under the impression that Diversified**
3 **utilized the geologist to help confirm its reserve**
4 **estimates?**

5 A Yes. That's what I would have assumed.

6 **Q But you didn't actually ask anyone at**
7 **Diversified whether or not that was the case?**

8 A I don't remember asking. It may have been
9 discussed but I -- I never -- can't remember particularly
10 asking that question. But it may have been stated --
11 because we had talked about the geologist, you know,
12 briefly on a couple different occasions. It sounds like
13 he was, you know, working with them or for them but I'm
14 not sure in what capacity.

15 If he evaluated things before they purchased
16 them or after they purchased them, I don't know.

17 **Q But I guess can you remember anything about the**
18 **conversations that you had as it related to the**
19 **geologist?**

20 A That they had a geologist, you know, that they
21 worked with that would I guess evaluate deals. Now if
22 that was before or after, I really didn't get into much
23 detail about the geologist's role or who they worked for
24 or what capacity.

25 **Q Did Mr. Welch tell you anything about**

1 a cash buyer or that private funding would allow more
2 ready access with less strings attached than a bank
3 would. But I did not ask about -- you said estimating
4 the value or getting an appraisal before they made a
5 purchase.

6 **Q Right, your statement was that the issue was**
7 **with banks they generally would want, and correct me if**
8 **I'm wrong, that they would want appraisals done before**
9 **lending money to a company such as Diversified, to**
10 **purchase the oil wells. And so by going with private**
11 **investors, they had faster access to funds to be able to**
12 **acquire the wells at auction.**

13 **And so my question then is, then were you under**
14 **the impression that Diversified did not get appraisals of**
15 **the value of the oil in the ground by going, you know,**
16 **with private investors?**

17 A I don't know if they did or not. They seemed
18 to know, and I don't know if they knew this going in what
19 the reserves were or what the value was or what the price
20 of oil per barrel was. We did not know where the
21 auctions were going on, so we didn't, you know, really
22 have any of that information ahead of time. But they
23 seemed to know or at least let us believe that they knew
24 what -- approximate amounts were in the ground for each
25 oil well or for each of their holdings that they had.

1 **Diversified's financial condition at that time?**

2 A No. Not when we first started with them. I
3 know we had asked about why they needed funds and were
4 given, you know, explanations I guess on a couple
5 occasions to make sure that -- you know, I'd asked a
6 couple times to make sure we're getting, you know, the
7 same answers or still the same circumstances.

8 **Q And what was the response for why they needed**
9 **funds?**

10 A Well, I do some -- well, it was that banks are
11 a little slow. It was during kind of the credit crunch,
12 so banks were a little slow to lend, as they're taking --
13 going to auctions to buy assets, the bank may want an
14 appraisal, which is tough to appraise oil in the ground.
15 And so having access to private funds gets them money
16 quicker that they can act on good investments or actually
17 purchase things at auction and then repay the investors
18 out of the revenues or income off of it and not have to,
19 you know, really deal with the delays or hoops and
20 hurdles and costs of a bank.

21 **Q And so in turn did he tell you then that**
22 **Diversified did not get appraisals on the value of the**
23 **oil that was in the ground?**

24 A He didn't tell me -- he didn't tell me that.
25 But it seemed like dealing with auctions you'd want to be

1 When they determined that amount, I'm not sure
2 if it was before they purchased it or at the auction or
3 after, I don't know.

4 **Q Did you ask to see a balance sheet or a profit**
5 **and loss statement prior to recommending the investment**
6 **to investors?**

7 A We did. And we asked -- you know, we asked for
8 a lot of information I believe, and TD Ameritrade did as
9 well as part of their due diligence I believe.

10 **Q So you received a balance sheet and profit and**
11 **loss statement prior to recommending the investment to**
12 **clients?**

13 A We sent -- we sent information over to
14 Ameritrade or Ameritrade requested that information. We
15 did not get that information initially. And then they --
16 they sent it over -- I don't know if they sent it over to
17 us and Ameritrade or sent it over to Ameritrade and we
18 got it from Ameritrade after the fact. I'm not sure
19 because it's been so long. But they looked like they had
20 assets on the books and income from current wells, even
21 many, many years ago.

22 **Q When you saw the first profit and loss**
23 **statement, did the company appear to be profitable?**

24 A I believe they did. They had a -- I don't
25 remember any of the numbers going back that far. They

1 had one negative column or negative section that had --
2 it seemed to be high expenses at the time, but I don't
3 remember what that category was.

4 **Q What were your thoughts about, you know, that**
5 **column that had the high expenses at that time?**

6 A I don't even remember what the number was or if
7 it was in thousands or the actual dollar amount. We see
8 a lot of those with prospectuses and analyzing mutual
9 funds and such. But I don't remember what column it was
10 and it didn't seem to raise too many big questions. If
11 Ameritrade did their due diligence, we relied more on
12 them because they were a -- they've done much more of
13 this than we ever had. We're just, again, a small firm
14 and we relied a lot on their -- you know, Intel and
15 background checks. Because they had more resources than
16 we did and more experience doing that type of research
17 work.

18 **Q Did Mr. Welch or anyone else at Diversified**
19 **provide you with any of the documents prior to you**
20 **recommending the investment to clients?**

21 A Yes, they sent folders and brochures and an
22 offer memorandum. I believe the private placement
23 memorandum. And they had like a little glossy folder
24 type thing that had -- I don't remember if it was
25 necessarily past performance, but projections and a chart

1 like it may have caused troubles for Diversified. But
2 I'm not sure what they held there or if they even had any
3 assets there or if they were looking for a scapegoat.
4 But their name was mentioned.

5 **Q I'd ask the Court Reporter to hand you a copy**
6 **of Diversified Exhibit Number 121, which was previously**
7 **introduced.**

8 THE WITNESS: And while he's looking or that,
9 if I may take a quick break. I need to either feed a
10 meter or move a car. There's a limit. I'm worried I'm
11 going to get towed or a parking spot -- or a parking
12 ticket. I didn't know how long this would take.

13 MS. SPRINGER-CHARLES: Let's go off the record.
14 (A brief recess was taken.)

15 MS. SPRINGER-CHARLES: We are back on the
16 record at approximately 10:20 a.m. on June 9th, 2013.

17 BY MS. SPRINGER-CHARLES:

18 **Q Mr. Scurlock, did we have any substantive**
19 **discussions while we were off the record?**

20 A No, ma'am.

21 **Q We were looking previously -- before we went**
22 **off the record we were about to look at Exhibit Number**
23 **121. It's a composite exhibit of a series of e-mails**
24 **that were sent on 11/9/2009 between certain individuals**
25 **at Diversified and you, Mr. Scurlock.**

1 I believe on the back.

2 **Q What did the projections show?**

3 A I believe it showed different investment
4 amounts, either past or projected growth, several years
5 out. And I don't know if that assumed re-investment or -
6 - it must have assumed re-investment.

7 **Q Other than that initial balance sheet and P&L**
8 **that you may have received from Diversified, between 2009**
9 **and March of 2012, did you ever request any financial**
10 **information from anyone at Diversified?**

11 A No, I don't believe I did. They sent out
12 updates and -- not really a newsletter, but each month or
13 each quarter they sent out updates on holdings and -- I
14 don't know if it listed investable assets at that time,
15 but they sent out kind of constant updates to the
16 investors.

17 **Q And how did you think Diversified was doing**
18 **over those years?**

19 A They seemed to be doing well. They were paying
20 the investors like clock-work. They seemed to be
21 acquiring new wells. And wells seemed to be doing well.
22 The price of natural gas was down. And I was told this
23 or lead to believe that they may have been hurt or had
24 funds at M.F. Global and that kind of caused a -- I'm not
25 sure to the scope of your investigation, but it seems

1 **Turn with me to the second e-mail that is dated**
2 **November 9th, 2011, at 4:53 p.m. The Bates label is**
3 **Diversified 32747.**

4 A Okay, I see it.

5 **Q Here we have Mr. Welch sending you a copy of**
6 **Diversified's balance sheet, profit & loss and it appears**
7 **to be an estimated oil and gas reserve report. It says,**
8 **Hampton, sorry to take so long. See the three**
9 **attachments. Let me know if you have any question.**

10 **Did you request these documents from Mr. Welch**
11 **prior to this date?**

12 A Yes, we had. I think we had requested them a
13 few times and TD Ameritrade needed them as well. So
14 that's why he said, sorry it took so long, because we had
15 probably been hounding or wouldn't -- we just kept
16 requesting the information over -- a couple times.

17 **Q Would you receive them and forward them to TD**
18 **Ameritrade or would TD Ameritrade go directly to**
19 **Diversified to obtain the P&L and balance sheet?**

20 A I believe they just wanted it any way they
21 could get it. And it's our first time submitting
22 anything for research through Ameritrade, so I don't know
23 their policies or procedures. But they did say they
24 needed them as part of their due diligence process. So
25 they may have received it directly but we got this and

1 probably forwarded it to them so they could review it as
2 well. But I don't know if they received it directly
3 also.

4 **Q I guess draw attention to the date. If you**
5 **look at the date, I'm not sure that -- the date of this**
6 **e-mail is November 9th, 2011, which is about two years**
7 **after you had had clients that had been invested in**
8 **Diversified.**

9 **So can you tell me again I guess why at this**
10 **time in particular did you request these documents?**

11 **A** I think we just wanted to check on their
12 reserves or assets. We were just wanting more
13 information. And then Ameritrade I think -- I don't know
14 if they needed the information multiple times or needed
15 it reviewed to make sure they're still approved. I don't
16 know if they review it annually --

17 **Q Back in 2011 -- I'm sorry, I didn't hear you.**

18 **A** Oh, I said I don't know if Ameritrade needs the
19 information annually to make sure a company is still
20 approved, because I'm not sure what their policy or
21 procedure is either. But they did want that information.
22 We were looking for it as well just to see how the
23 company was doing. And I'm not sure when Ameritrade
24 requested it or when they received it. If they received
25 it a couple times previously or for previous years.

1 appears that you had been referring clients to
2 **Diversified since 2009. And so why, I guess, would this**
3 **be the first time that Ameritrade was doing their due**
4 **diligence in 2011?**

5 **A** I don't know if this was the first time or not.
6 They may have done it previously and then had to do it
7 every year to make sure that they're still eligible. I
8 don't know how often Ameritrade does that, or if there's
9 an event that makes them go through the process again. I
10 don't know. Again, it's our first time ever asking
11 Ameritrade to do due diligence on a company and I did not
12 ask Ameritrade how often they do it or what all documents
13 they needed. He just volunteered that -- he mentioned
14 some documents that they needed or things they were
15 looking for.

16 **But it could have been more documents -- more**
17 **things that they look at as well. And we just left that**
18 **to them because they're -- they have more experience with**
19 **it.**

20 **Q And my question to you is, do you remember**
21 **specifically why you were requesting this information in**
22 **November of 2011, do you understand what I'm trying to**
23 **understand, I guess?**

24 **A** Yes.

25 **Q Why were you asking for this information in**

1 **Q In November 2011 did you forward any**
2 **information on to Ameritrade?**

3 **A** I believe I probably did if they were asking
4 for it or we were looking for it.

5 **Q How do you know that Ameritrade was -- you**
6 **know, that they were asking for it? Do you have a memory**
7 **of that happening in November of 2011?**

8 **A** I don't know when, what month or year even, but
9 John Warnock who we talked with at Ameritrade, because we
10 kept asking him, what do you need before a company is
11 approved or can be offered on Ameritrade's platform and
12 he had listed several items. Where they could do their
13 due diligence and, you know, basically check all the
14 company's information.

15 **And so it sounded like any information that**
16 **they could get --**

17 **Q What was John's last name, I'm sorry?**

18 **A** Warnock. W-A-R-N-O-C-K.

19 **Q Okay.**

20 **A** And he had asked for -- he had mentioned
21 several documents or information, you know, that they
22 were looking for and it sounded like they wanted about
23 any information they could find on the company so they
24 could do all the research they -- you know, they could.

25 **Q I guess my confusion is that you had been -- it**

1 **2011?**

2 **A** It could have been for TD Ameritrade, it could
3 have been just we wanted to check on their progress or
4 their assets or balance sheet. So we had asking for it,
5 as you can kind of tell, we'd ask for information or
6 asked for documents several times and they -- when they
7 finally responded, it said -- what did they say, sorry it
8 took so long or -- what did it say? Yeah, sorry to take
9 so long.

10 **Q When you saw Diversified's balance sheet and**
11 **profit & loss statement here, were you surprised?**

12 **A** I don't know if I'd -- I would guess, yes,
13 surprised. It seemed a lot different than their -- what
14 we were lead to believe or any previous information we
15 had.

16 **Q You said you guess surprised. Do you recall**
17 **being surprised after receiving it?**

18 **A** I would say yes. Again, we get so many e-mails
19 and so much information, it's -- I'd say it was a
20 surprise, it wasn't what I expected, if that...

21 **Q Why not?**

22 **A** I think they'd be -- well, from the sound of it
23 you'd think they'd be doing better and had more income --

24 **Q What in particular surprised you about this e-**
25 **mail?**

1 A The one dated on the 9th? They had a -- they
 2 had -- liabilities were greater than assets at that
 3 point.
 4 Q And prior to this, did you not believe that the
 5 liabilities were greater than -- that Diversified's
 6 liabilities were greater than its assets?
 7 A I believe we were told and believed that they
 8 had more assets and wells and income coming in than
 9 liabilities.
 10 Q Who told you that?
 11 A I believe it was Matthew Welch that we'd spoke
 12 with on numerous occasions. And some of our clients
 13 would call them as well. Then they'd want information
 14 from us and we wouldn't have it, so we didn't know their
 15 day to day operations or their financials, unless they
 16 gave them to the client or we requested them multiple
 17 times and finally received them.
 18 Q Is this the first time that you remember seeing
 19 the financials, Diversified's financials?
 20 A They'd sent us something I believe initially
 21 and there was also -- I believe it was outlined in either
 22 their offering documents or some of their brochures.
 23 Q What exactly was outlined in the offer
 24 documents and brochures?
 25 A I believe it was their holdings and reserves,

1 assets. It even listed at one point, at least in the
 2 2011 -- the offering documents, it listed all their wells
 3 and locations and approximate gallons or barrels of
 4 reserves.
 5 Q This November 9th e-mail, it not only attaches
 6 the balance sheet and profit & loss statement, but it
 7 also attaches the estimated oil and gas reserves. If
 8 you'd keep looking. Can you see that?
 9 A Is that on the last page or the last two pages?
 10 Q Right. Yes. So you were surprised even after
 11 seeing all three of these documents, the balance sheet,
 12 the P&L and the reserve report?
 13 A Yes, it was not -- well, not what I was
 14 expecting.
 15 Q This e-mail is dated November 9th, 2011. Did
 16 you recommend that clients -- even after receiving the e-
 17 mail and being surprised, did you continue to recommend
 18 that clients invest in Diversified?
 19 A For a couple clients. It wasn't right for the
 20 majority of our clients, but some of our clients were
 21 willing to take that risk or for a short term, you know,
 22 higher yielding investment. And this is, again,
 23 information we probably passed along to Ameritrade
 24 because I wasn't sure what the value of -- well, I guess
 25 I could rely on their values for oil and gas.

1 Q Can you hold on for one minute? We lost the
 2 video feed.
 3 A Okay.
 4 MR. BUSTO: Can you see us?
 5 THE WITNESS: We can see you but you're static.
 6 You're just still.
 7 MS. SPRINGER-CHARLES: Okay, let's go off the
 8 record.
 9 (A brief recess was taken.)
 10 MS. SPRINGER-CHARLES: We are on the record at
 11 approximately 10:50 a.m. on June 9th, 2013. Mr.
 12 Scurlock, did we have any substantive discussions while
 13 we were off the record?
 14 THE WITNESS: No, ma'am.
 15 BY MS. SPRINGER-CHARLES:
 16 Q I believe before we got off the record I was
 17 asking whether or not you continued to recommend the
 18 Diversified investment to investors even after receiving
 19 the November 9th e-mail with Diversified's balance sheet,
 20 profit & loss statement and reserve report and you -- I
 21 believe you began stating that you did but it was only
 22 limited to certain investors.
 23 What types of investors did you continue to
 24 recommend the Diversified investment to?
 25 A Well, also after looking back at this balance

1 sheet, I do remember seeing it and were told that -- I
 2 guess it was
 3 -- at the time it was incomplete because they didn't
 4 include any income, so that we'd be getting an updated
 5 one with income numbers because it was just left blank.
 6 So it wasn't as bad of a picture as was portrayed. But,
 7 you know, I don't know if we received the full scope or
 8 the actual income that they had. But as far as
 9 investors, it was investors that were, you know, willing
 10 to take a risk because it's not insured, it a risky
 11 proposition even if it is short term. And they had a --
 12 you know, a perfect repayment history with any of our
 13 clients or from everyone that we could tell from. But we
 14 still let clients know it was risky and it was outlined
 15 in the offering document that there were multiple risks.
 16 So it wasn't right for the majority of our clients, just
 17 a small minority of them. And ones that could, you know,
 18 have the money and were willing to kind of take that
 19 risk. So that's kind of the investor, I guess, in a
 20 nutshell. I wouldn't call them risky but ones that were
 21 willing to take a risk for, you know, higher short term
 22 fixed yield.
 23 Q Who told you that the balance sheet and profit
 24 & loss statements were incomplete?
 25 A I believe that was Matthew Welch or -- that's

1 usually who we dealt with up there. Candie may have
2 called us and told us. I couldn't give you a date, it
3 was probably shortly thereafter.

4 **Q** Is that because you asked about -- you were
5 concerned about it and you asked someone about the status
6 of Diversified's balance sheet and profit & loss
7 statement?

8 A Yes.

9 **Q** After receiving this.

10 A Yes.

11 **Q** And can you point to me exactly where they said
12 that information was missing, if you can just tell me
13 what Bates labeled page you're referring to.

14 A Basically the income was left blank, ordinary
15 income. It's page 34294.

16 **Q** I guess let's look at the e-mail that you
17 actually received just so that the record is clear. Are
18 you referring to the page that's Bates labeled 32749 on
19 the profit & loss statement where it says ordinary
20 income/expense?

21 A I'm not sure what identifying label -- sorry,
22 you said 32749?

23 **Q** Yes.

24 A Okay, yes, that's one. I was initially looking
25 at the 34294. It's the same line, it's just all blank

1 introduced exhibit and it is a March 25th, 2011, e-mail
2 from Matt Welch to N-A-B-R-A-W-E-R at inside EB.com. It
3 attaches a Diversified bond, a P&L for the year end 2010,
4 balance sheet for the year end 2010 and a reserve report
5 as of 12/31/10.

6 Is that the document that you've been handed
7 and are looking at?

8 A Yes. That's the document I've been handed and
9 am looking at.

10 **Q** The e-mail reads, Mark, attached are the most
11 recent offering, financials and the year end oil and gas
12 reserve report. If you have any questions, please feel
13 free to call Hampton Scurlock at, and there's a phone
14 number. Who is Mark?

15 A Mark is another local financial planner. I
16 believe he's a certified financial planner. And he was
17 interested I think in offering these investments as well,
18 or had a -- we may have had a mutual client and he was
19 wanting more information on them.

20 **Q** Did Matt ever discuss with you this information
21 that he would have received?

22 A No, he said he was sending the information but
23 I did not -- I was not copied on the e-mail or did not
24 receive it. He said he was sending information to
25 another advisor locally.

1 for ordinary --

2 **Q** I don't believe you received the first e-mail.
3 We are just referring to the e-mail that you actually did
4 receive.

5 A I'm -- okay. I'm not --

6 **Q** Do you see that? The first e-mail was from
7 Candie to Matt and the second e-mail was from Matt to
8 you; do you see that?

9 A Okay, yes, yes. And that is the 32749, the
10 income and expense. I'm sorry, yes, I did not get that
11 first e-mail, I got the second e-mail and that's the one
12 that was left blank.

13 **Q** And so Matt or Candie either via e-mail or over
14 the phone informed you that the ordinary income/expense
15 line was missing and that if that was added that the
16 picture would have been better?

17 A Yes, much better and they had income from the
18 actual oil and gas production but it was not included in
19 that e-mail. I think I was just in a -- I wanted to get
20 the information and I don't know if they did not have it
21 or they put together what they had and omitted the
22 income. Or there could have actually been no income and
23 we were just told there was.

24 **Q** Let me ask the Court Reporter to show you
25 Diversified Exhibit Number 113. It is a previously

1 **Q** Okay, I'm sorry, my question really was did
2 Mark ever discuss with you information that he received?

3 A Oh, no.

4 **Q** Who was the mutual client?

5 A I do not know.

6 **Q** Did that client -- was that client invested
7 with Diversified at the time that this information was
8 sent to Mark?

9 A I do not know. I don't know who the mutual
10 client was or if they -- since I don't know who it was, I
11 can't tell if they were invested or not or just looking
12 at information or if Mark wanted to offer this or if he
13 was just looking to review it for his client. I don't
14 have that information. I just don't know, sorry.

15 **Q** After speaking with Matt that initial time,
16 what was your role to be with Diversified?

17 A Well, I spoke with him multiple, multiple times
18 before we decided to move forward or, you know, do
19 additional due diligence on the company. So you said
20 after I spoke with him initially?

21 **Q** Well, after your initial discussions and prior
22 to -- I guess what was agreed upon, what would your role
23 be as it related to Diversified?

24 A I believe they -- I believe they classified it
25 or -- basically be an independent contractor. We were

1 not, you know, an employee or representative of the
2 company, since we're independent.

3 **Q And what were you going to do for Diversified?**

4 A We could bring investors, you know, to them if
5 they met the criteria, were interested in investing with
6 Diversified. And we'd be compensated for that.

7 **Q And what do you mean by bring investors to
8 them?**

9 A We could introduce investors, you know, to
10 them. Clients of ours that were, you know, qualified or
11 that were willing to take that risk or put a small -- you
12 know, put some of their capital for a higher, you know,
13 fixed rate of return relative to other fixed, you know,
14 rate investments or bonds out there. We could introduce
15 them or give the literature to the clients and they could
16 make investments with Diversified Energy. But not
17 physically bring them to Diversified or Diversified's
18 offices.

19 **Q So how were you supposed to introduce the
20 clients to Diversified?**

21 A They really didn't outline that to us and it
22 wasn't their, I guess, responsibility or their -- you
23 know, their role. It's just if we had clients that
24 inquired or met the criteria or were looking for, you
25 know, that type of investment, then we could discuss it

1 with them and, you know, they could make a decision to
2 proceed. But we were not, you know, advertising or -- we
3 saw in one of the questionnaires sent out about radio
4 ads, no, we never did any radio ads or anything of that
5 sort.

6 **Q So was the agreement that you would discuss the
7 Diversified investment with your clients? And then what
8 would happen -- is that true, is that the case, that you
9 would discuss the investment, the Diversified investment,
10 with clients?**

11 A Yes.

12 **Q And then what would happen after that?**

13 A Some clients would take literature home, do
14 research, call the company, do their own due diligence.
15 Sometimes they wouldn't invest or may wait. Others
16 thought it wasn't right or too risky. Others, you know,
17 invested. So the minority of our clients --

18 **Q When did you get -- go ahead.**

19 A I was going to say, it was just the minority
20 and only a handful of our clients invested because it
21 wasn't right or suitable for everyone.

22 **Q What type of literature did you give to the
23 clients?**

24 A Diversified Energy usually had a folder that
25 typically had their brochure, subscription I guess

1 offering or PPM document. So we would just use their
2 literature. We did not have any of our own literature or
3 anything produced. We just used what they provided.

4 **Q What did you tell the clients about the
5 Diversified investment?**

6 A Well, we went over it usually in pretty good
7 detail. There was, you know, lots of risk factors. So
8 we did mention, you know, they had -- it was an illiquid,
9 non-publicly traded investment. So we mentioned, you
10 know, a lot of the drawbacks because, again, we wanted to
11 make sure that clients understood what they're, you know,
12 getting into.

13 Some of them would go through the booklet and
14 have additional questions or ask about certain things.
15 So different clients would discuss different things. But
16 usually it was a pretty lengthy, you know, conversation.
17 They'd have to fill out a questionnaire or profile and
18 then they would also have to sign or date if they wanted
19 to invest and the dollar amount, how many bonds they were
20 looking for.

21 So with multiple clients it was multiple issues
22 that were addressed or covered or items that were
23 discussed. Sometimes at quite a bit of length.

24 **Q Did you discuss with them what their funds
25 would be used for?**

1 A Yes, I'd say that was probably covered and what
2 we were lead to believe was the purchase of more, you
3 know, producing oil and gas wells and not exploratory
4 drilling.

5 **Q Did you discuss whether you thought it was a --
6 I guess a good investment for them to make?**

7 A I guess. It may not have been worded that way.
8 We always did make sure and highlight, you know, the
9 risks and the illiquidity. Because we typically deal
10 with stocks and mutual funds and ETFs and publicly traded
11 and highly regulated securities. The majority of which
12 are liquid. And that is a significant, you know, risk or
13 down side, you know, to what DEG was offering.

14 **Q I guess what upsides did you discuss with the
15 clients?**

16 A The upside was -- to most clients it seemed to
17 be just their fixed rate of interest that they were
18 paying over a short period of time. So there was no
19 stock market appreciation, you didn't own, you know,
20 shares of the company, you were getting just an -- you
21 know, a set interest rate.

22 **Q When clients had questions or concerns about
23 Diversified, would they come primarily to you or did they
24 go to the company themselves?**

25 A We would direct them to Diversified and often

1 Matthew Welch would answer their questions. We'd give
2 them -- we give the clients -- of course when they had
3 the brochures or the folders, they would have Diversified
4 Energy's number. And we were told on multiple occasions
5 that, you know, clients went home to think about it or
6 read things over and they'd also call Diversified Energy
7 on their own to get answers. Because we didn't know
8 their day to day operations and a lot of the specific
9 questions, you know, we weren't familiar with or couldn't
10 answer. So they'd have to call Diversified to get those.

11 **Q Did you ever share any Diversified financial**
12 **statement with any client?**

13 A Yes.

14 **Q And which clients?**

15 A It was a few -- a few of them. I'm not sure
16 which exact ones or on which dates.

17 **Q But you have specific memory of sharing**
18 **Diversified's balance sheet and profit & loss statements**
19 **with some of your clients?**

20 A I believe a client had actually requested them
21 or they'd been forwarded to clients. And so they brought
22 them in. So, you know, some clients had received them or
23 had asked for them from DEG and that's one of the
24 documents -- that may have been why we were asking for it
25 in November of 2011 -- or October 2011. That could have

1 been for a client records as well -- or a client request
2 as well.

3 **Q You mentioned that clients had come in to the**
4 **office with the balance sheet and profit & loss**
5 **statements. Why did they bring them in to you?**

6 A They probably requested them from Diversified
7 Energy after reviewing the packet or were told that we
8 don't have that information or can't provide up to date
9 information on that because we don't have their up to the
10 minute financials. I believe a couple clients probably
11 requested that themselves.

12 **Q Do you have a specific memory of clients coming**
13 **in to you and showing you balance sheet and profit & loss**
14 **statements that they received from Diversified directly?**

15 A I don't know which clients. It's been so many
16 years. I do remember Dan Williams I believe may have
17 received those documents or he had a lot of questions and
18 spoke numerous times with Diversified, many times without
19 me being there. He would just, you know, call them on
20 his own. I believe he had those documents at one point.

21 **Q Did any of them raise any -- any clients ever**
22 **raise any concerns to you about, I guess, what they saw**
23 **on any of Diversified's financial statements?**

24 A There were several that had -- well, not
25 necessarily the financial statements alone, but they had

1 questions about just the risks. And said if they had a
2 bad feeling, had questions or doubts, you know, we
3 weren't pushing them. I'm not a pushy person. So we had
4 several that just decided it wasn't right for them for
5 various reasons. And it could have been from financial
6 statements or just the list of risks that were -- that we
7 covered and that were also outlined in their literature
8 as well.

9 **Q Did you ever guarantee a specific rate of**
10 **return to any client?**

11 A No, never on any investment. Mutual funds,
12 stock, bond, ETF, this one private placement. No, not
13 even annuities that are, you know, issued on a fixed rate
14 basis. That's not our place. We can't guarantee any
15 investment or that past performance is indicative of any
16 future performance, I'm sure as you well know.

17 **Q Did you ever personally mail a check, I guess**
18 **for an investment for one of your clients, to**
19 **Diversified?**

20 A I mailed my own check to Diversified. I know
21 some clients mailed their own -- mailed their own checks.
22 I probably mailed one for my --

23 **Q Did you ever mail a check for a client?**

24 A Yes, probably. I don't know which client or
25 clients. I know my father, I probably mailed his check

1 after he completed the paperwork. Mine personally. Some
2 clients mailed them themselves.

3 **Q So other than you and your father, you may have**
4 **mailed checks for some of your clients, correct?**

5 A Yes, ma'am.

6 **Q And did you help any of the investors complete**
7 **the background questionnaires and subscription**
8 **agreements?**

9 A We provided the paperwork that they had to --
10 that they had to complete. And they had to answer
11 questions. So, yes, I guess we would assist them in
12 showing them what they needed to fill out.

13 **Q Did you ever fill them -- was there any**
14 **occasion when you actually filled it out and just had the**
15 **investor sign?**

16 A Probably. We had at least one older client
17 that has a difficult time writing. And so she would look
18 at the questions and, you know, give us the answers and
19 we could write them in for her. But she's have to
20 initial -- and she had to sign the paperwork at the end.
21 And of course you have to send -- she'd have to send her
22 funds in if she was going to make an investment.

23 **Q What is that client's name?**

24 A That was -- she's in -- she's in Lawrenceburg,
25 Kentucky and her name escapes me. If I could see a list

1 of clients I could point out which -- [REDACTED] I believe.

2 [REDACTED], sorry.

3 **Q Other than Ms. [REDACTED] do you recall**
4 **completing the questionnaires and -- questionnaire and/or**
5 **subscription agreement for a client and then just having**
6 **them sign it?**

7 A Well, the subscription agreement was where they
8 actually signed. So, no, we would not have done any of
9 those signatures on the subscription document. But some
10 clients may have had questions about what -- one of the
11 questions was their background or degree, net worth,
12 income. And for some of our clients we actually do their
13 taxes, so, yes, we would have -- we could pull up their
14 tax return or help them determine what their actual
15 income was or help them answer some of those questions.
16 But, no, we would never sign the subscription document or
17 be able to complete that for a client. But we could help
18 them with the questions.

19 **Q Did you verify whether each investor was**
20 **accredited?**

21 A We attempted to, through income or assets. And
22 this is, again, after labeling all -- or going through
23 all the risk -- the risks that were listed as well. And
24 the illiquidity of the investment, we make sure they have
25 enough liquid, you know, cash for emergencies or to live

1 on or could afford a loss in an investment like this.

2 And that's pretty well highlighted in their
3 forms as well. I don't know if it was listed in bold
4 print, but it was listed multiple places. And honestly
5 it scared -- as I say, scared a few people that -- you
6 know, which is good, the disclosure was there and let
7 people know of the risk that were involved.

8 **Q How did you verify the investor's income and**
9 **assets?**

10 A Some clients we had other accounts. Others
11 we'd have to ask the questions or rely on their -- you
12 know, rely on their answers.

13 **Q When it was time for a client to -- let's say a**
14 **client wanted to rollover his or her investment, what was**
15 **your involvement?**

16 A Rollover from where to where? What was the --

17 **Q Or re-invest.**

18 A Well, I guess they could contact Diversified
19 and just renew for the next term if they wanted to. I
20 think occasionally they had a renewal form, like a one
21 page form that would have to be sent in or a new
22 subscription document, occasionally. Because they had
23 different offerings over the years. So sometimes we'd
24 get involved, other times the client could just do it
25 themselves. If they wanted to renew. Not everyone

1 renewed.

2 **Q Were you paid a fee each time an investor**
3 **renewed?**

4 A Probably. There may have been some we did not,
5 but the majority of times I believe we did, yes.

6 **Q Diversified had -- and I'm sorry, I'm not sure**
7 **I have an example of both in front of you, but**
8 **Diversified had both accredited and non-accredited**
9 **offerings. Did you ever recommend that a client who was**
10 **not accredited to invest in one of Diversified's**
11 **accredited investing offerings?**

12 A Not in their -- not in their -- you said they
13 had a non-accredited and accredited version --

14 **Q And it -- right.**

15 A And you're asking if I ever had a -- or wanted
16 someone that was non-accredited to go into their
17 accredited version?

18 **Q Correct.**

19 A No, I don't believe we did. We did have a
20 couple that went into the non-accredited. And I believe
21 they were -- I believe at least one of them may have been
22 renewed. But I don't know if they were renewed under the
23 non-accredited or the accredited.

24 **Q I want to ask the Court Reporter to show you**
25 **Diversified Exhibit Number 136, which was previously**

1 **introduced. It's a composite exhibit of several**
2 **agreements.**

3 **They are in Bates -- they are in Bates label**
4 **order. And if you can turn with me to the page that's**
5 **Bates labeled 38527.**

6 A Okay.

7 **Q Before I move on, were all of the individuals**
8 **that you recommended Diversified to, were they all your**
9 **advisory clients?**

10 A No, I don't believe all of them were.

11 **Q What percentage of them were your advisory**
12 **clients?**

13 A I don't have an exact percentage. And I'd
14 probably have to look at a list or double check to even
15 give you a good estimate.

16 **Q I guess was it more than 50% of them that were**
17 **your advisory clients?**

18 A I would say more -- I probably would guess more
19 than 50% were advisory or tax clients.

20 **Q How about more than 80%?**

21 A I don't think I can go that high.

22 **Q And were all of the individuals that you**
23 **referred to Diversified, were they all from Kentucky?**

24 A Yes, ma'am. Except for possibly -- and I
25 didn't send them, but Kenneth Garrett's father was I

1 believe a resident of Kentucky and Florida.
2 **Q Were all of -- between 2009 and 2012, were all**
3 **of the individuals who were your advisory clients, were**
4 **they charged an advisory fee on their Diversified**
5 **investment?**

6 A No, never. And it was disclosed on our ADV and
7 the state had looked at that and made sure that was not
8 the case multiple times.

9 **Q And what do you mean by the state looked at it**
10 **and made sure that that wasn't the case?**

11 A We do -- approximately every year or so we do
12 an annual exam or audit or review with the state. And
13 that's one of the questions they had was, you know,
14 looking at all the Diversified Energy forms, documents
15 and verifying that we were not charging any management
16 fees on any assets that were -- or any investments with
17 Diversified Energy Group.

18 **Q And so the state did this annually starting in**
19 **2009?**

20 A I don't know if -- well, we didn't really sign
21 this document with Diversified until -- it looks like
22 December 15th, 2009. I'm not sure when -- we've had two
23 or three examinations with the state probably since then.
24 So they do it every year, 18 months. Basically every one
25 to two years with the state depending on their schedule

1 or availability. So, yes, they've done a couple
2 examinations since this date of December 2009.

3 **Q And what exactly is the state looking at when**
4 **they do their examination as it relates to Diversified?**

5 A Well, they weren't just doing an examination
6 into Diversified but they were doing an exam on
7 everything, for all advisors in the state, for all RA
8 firms. But they looked at client information,
9 suitability, made sure we were not charging a management
10 fee. They looked at disclosure, compensation, looked at
11 the forms on file. And the compensation related to that
12 we were not charging management fees on top of what
13 Diversified Energy Group was paying.

14 **Q Did you disclose to investors that you were**
15 **receiving -- or each of the investors, that you were**
16 **receiving a finder's fee for their investment?**

17 A Yes, I was and it was also outlined on the ADV
18 form as well and available I think on our web site at the
19 time.

20 **Q Because I actually pulled some of your ADV**
21 **forms and I apologize that we didn't send them, but the**
22 **first I noticed that you disclosed any relationship with**
23 **Diversified was March of 2011. However, you had signed**
24 **this kind of agreement in 2009. Why was that the first**
25 **time that you disclosed the relationship with**

1 Diversified?

2 A We had called the state I believe to get an
3 opinion on whether it needed to be disclosed or what we
4 needed to put in there and were initially told it didn't
5 or was outside -- I think it's called jurisdiction, but -
6 - and then later on, after they saw documents or got I
7 guess the complete information, they requested that we
8 put that in the Form ADV, which we did and highlighted --
9 when we updated it -- most recently it's since been
10 removed since we're no longer offering that investment,
11 so it's up to date.

12 **Q So back in 2009 when you were going to enter**
13 **into the relationship with Diversified, you called the**
14 **State of Kentucky and inquired as to whether you needed**
15 **to disclose on the Form ADV that you had that**
16 **relationship?**

17 A Yes.

18 **Q And you were told that you did not need to**
19 **disclose it at that time?**

20 A At that time. And then I think once they --

21 **Q Do you recall who told you that?**

22 A I don't have any idea. It's back in 2009. And
23 then after they did an examination, we asked them again
24 about it and they said they would encourage or want us to
25 put that disclosure out there. And that also covered --

1 or they wanted us to maintain the language in there about
2 annuities or insurance products, where those carriers can
3 also compensate us. Outside of management fees.

4 **Q Looking at Exhibit Number 136 which is in front**
5 **of you, and your finder's fee agreement in particular on**
6 **Diversified 38527, is this the agreement that you entered**
7 **into with Diversified?**

8 A Yes, ma'am.

9 **Q And that's your signature?**

10 A Yes.

11 **Q And the signature I'm referring to, just for**
12 **the record, is on Diversified 38528. You signed it --**
13 **your title here is consultant. Why was that the case?**

14 A That is -- well, that's what they said we would
15 be. I probably could have put anything in there. I
16 could have left it blank. I didn't know if it really
17 mattered.

18 **Q Looking at this agreement where it says**
19 **finder's fee on page -- underneath the word "witnessith",**
20 **number 2, finder's fee, do you see that?**

21 A Yes.

22 **Q And it appears to indicate that you would be**
23 **receiving a 5% finder's fee. Did you receive a five or a**
24 **10% finder's fee?**

25 A Initially it was five and then they changed --

1 I believe they changed some of their offerings to rather
2 than one year, it was over two years. And so they were
3 doing like a one time 10% later on. I don't know what
4 date that started, but it was well after this initial
5 agreement. So the answer is both, five and then
6 eventually much later on ten.

7 **Q Did you sign a new agreement at that time or**
8 **was this the only agreement that you ever executed with**
9 **Diversified?**

10 A I believe this was the only one, but they could
11 have sent another one and I may have signed it. But I
12 don't remember signing a second one. I don't know if it
13 was necessary to do a second one.

14 **Q When you entered into this relationship with**
15 **Diversified, was the understanding that you would be able**
16 **to offer any and all of its bonds going forward?**

17 A I believe they only had one at the time. But -

18 -

19 **Q Okay.**

20 A -- yes, I believe that would be the
21 understanding.

22 **Q Was it the understanding?**

23 A Yes, I believe so.

24 **Q And each time that Diversified I guess had a**
25 **new offering, would Mr. Welch call you and ask you**

1 Energy Group and we gave them the literature, the
2 brochures, you know, the information that Diversified
3 Energy Group provided, if they contacted Diversified
4 Energy Group directly and we let Diversified Energy Group
5 know, it looks like we could still be paid a finder's
6 fee. But if we did not let Diversified Energy Group
7 know, they wouldn't know we were involved and they would
8 not do any finder's fees.

9 **Q I guess this is -- I guess reading it it does**
10 **state -- this paragraph doesn't state anything about you**
11 **providing the clients with any materials. All it talks**
12 **about is you notifying Diversified about I guess the**
13 **name, address and telephone number of the prospects that**
14 **may be interested in Diversified.**

15 **So I guess I'm trying to understand -- and it**
16 **continues to say that the finder will not negotiate the**
17 **transaction between the investor and DEG. I guess I want**
18 **to know specifically what those things meant to you when**
19 **you saw them.**

20 A I hadn't paid a whole lot of attention to I
21 guess the details or the fine -- the fine print in that,
22 but, you know, we were not using any of our own
23 literature and that's what we were providing to clients.

24 I guess it sounds like or is written like we
25 could just provide names, addresses and telephone numbers

1 **whether or not you would want to participate?**

2 A Yes, or clients would call and sometimes we'd
3 get on a conference call with Mr. Welch or another
4 Diversified representative, but it usually was with Mr.
5 Welch. And sometimes they would mail packets once they
6 got it approved or underwriting done through the -- you
7 know, through the state or whatever steps they took.
8 They could mail literature to us once they had the final
9 approval or final documents ready.

10 **Q Look with me at number 3, where it says**
11 **introduce parties. Do you see that?**

12 A Yes.

13 **Q It says, in order to preserve any conflicts of**
14 **interest, finder shall notify in writing DEG of the name,**
15 **address and telephone number of any prospects that may**
16 **have an interest in DEG. DEG shall non-circumvent finder**
17 **in the event that one of their prospects shall contact**
18 **DEG directly. Finder will not negotiate the transaction**
19 **between investor and DEG. In the event that finder**
20 **becomes involved in the negotiation of the transaction,**
21 **DEG will be prohibited from providing a fee to finder.**

22 **What did that mean to you?**

23 A Well, I hadn't seen it in so long. But just on
24 the surface looking at it, it seems like if we had a
25 client come to us or ask about investing in Diversified

1 of any prospects that wanted to invest with DEG. And
2 then they would just -- they could handle the rest, is
3 what it looks like.

4 **Q So based on our discussions today, that is not**
5 **exactly how things happened, correct?**

6 A Correct. I don't think it's plausible and
7 wouldn't be -- I don't know if it would be allowed or
8 welcomed or ethical just to share clients' names,
9 addresses, information to an outside party where they may
10 not be knowing the risks or waste -- it would be a waste
11 of time to provide information and don't even know if it
12 would be allowed, for client information, to send that to
13 DEG without the client at least being somewhat familiar
14 with what they'd be contacted about or what the terms of
15 the offering would be.

16 **Q Did you ever believe that you needed to be a**
17 **registered rep in order to be able to have those types of**
18 **discussions with clients?**

19 A No.

20 **Q Why not?**

21 A Because we had inquired at the state about the
22 same time, 2009, before we entered into the agreement.
23 Because we had not done private placements before and
24 were looking for opinions on it. We also had asked
25 Diversified Energy at the time what other -- their other

1 advisors or licenses or what issues they may have run
2 into or what they needed to do to disclose it or --
3 disclose their interest or compensation.

4 And we were told we did not need a --

5 **Q Did you ask the state whether -- go ahead.**

6 A Oh, no, I'm sorry, go ahead. I was pretty much
7 done.

8 **Q Did you ask the state or someone at the state
9 whether you needed to be a registered representative or
10 an associated person with a registered broker dealer to
11 be able to sell the Diversified securities?**

12 A We had asked about that initially and it was a
13 no. Later, upon I believe the second -- it may have been
14 the second examination, they had requested or said that
15 that may be encouraged or they wanted us -- they wanted
16 us to do it at a later date. And I believe shortly
17 thereafter, Diversified Energy was no longer offering
18 their investment, so we did not have a need or no longer
19 offering any similar investments. So we are not a
20 registered rep and don't feel that we need to be.

21 And we're not offering any similar products or
22 have any --

23 **Q What exactly did the state tell you about
24 whether you needed -- well, what exactly did the state
25 tell you about whether you needed to be a registered**

1 **broker dealer in order to sell Diversified securities?**

2 A Well, this is back in probably 2009. We may
3 have -- no, it wouldn't have been 2009. We called and
4 just asked for opinions and asked quite a few questions
5 because we were an RIA only and wanted to remain an RIA
6 only.

7 **Q And did you ask that specific question?**

8 A About how would we disclose or any outside
9 activities or compensation from annuities or other
10 investments -- and private placements I believe we even
11 asked --

12 **Q No, specifically did you -- I guess did you ask
13 specifically whether or not you needed to be registered
14 with the SEC as a registered representative to -- in
15 order to sell Diversified securities?**

16 A We asked what licenses do we need or are we
17 okay to offer these investments? At that time being an
18 RIA and with what information, you know, they had or told
19 us, it was that is fine. We could have I guess become a
20 registered rep or become affiliated with one had we been
21 told it was necessary. Because it's not too difficult to
22 do that. But we weren't offering any -- what we thought
23 were any products that needed to be licensed as a
24 registered rep because the RIA seems much more broad.

25 BY MR. BUSTO:

1 **Q From your prior time as a registered
2 representative of American Express and Ameritas, in
3 connection with your training to get the securities
4 licenses to be registered, were you ever told or learn
5 that in order to receive transaction based compensation
6 that you needed to be a registered representative?**

7 A That's one reason we called the state. We also
8 receive compensation when we do tax preparation or when
9 we offer insurance products. So they kind of put it in
10 that similar category. And I don't know if they fully
11 understood or if we -- because we did not have experience
12 dealing with private placements. So that's why we did
13 contact them before we really proceeded. Because it was
14 new ground to us as well.

15 **Q Do you recall who you spoke to at the state?**

16 A I don't. We actually called a couple times. I
17 think we had a couple different questions. So I'm not
18 sure.

19 **Q And when you talked to your primary regulator,
20 do you take notes of the conversations to document what
21 they tell you?**

22 A We do and then we also receive a -- as part of
23 the examination process every year, we get a list of --
24 if they have any findings or documents that were
25 requested or suggested updates to web site or privacy

1 notice or ADV or any other documents that we provide and
2 must keep on file.

3 **Q And do you currently have those on file in your
4 office today?**

5 A We should, yes.

6 **Q And so would those be available to be produced
7 to the staff at a future date?**

8 A Yes, they should. And we probably could
9 request them from the state as well if they had any
10 additional information.

11 **Q So you believe in that file, that will contain
12 your notes of your conversations with the Kentucky
13 regulators?**

14 A It will have the examinations. I don't record
15 every conversation we have with the state insurance
16 department or the state securities. But the annual exam
17 we would have notes from their conversations and from
18 their actual examination, yes.

19 BY MS. SPRINGER-CHARLES:

20 **Q You mentioned that at a later date, shortly --
21 or I guess when Diversified had stopped, I guess, making
22 any future offerings or further offerings, that the state
23 recommended that if you wanted to be engaged in selling
24 Diversified securities and I guess receive a transaction
25 based fee for that, that you should register as a broker.**

Why did that come up?

1
2 A I think that came up in their second -- I
3 believe it was the second, possibly third, examination.
4 We had asked about it and they had questions about the
5 compensation. And as we elaborate on it, they said you -
6 - they need to look into it and then they determined that
7 at that point we should consider looking at either
8 stopping to make those offerings or to get set up to be
9 duly registered or set up with a broker dealer. And that
10 was probably in 2012 I'm guessing. And I'm not sure
11 exactly when Diversified stopped making their offerings,
12 but I believe it was March of 2012. Or February
13 possibly.

14 **Q And you should have notes and a list of the**
15 **findings related to that event as well, correct?**

16 A Yes, ma'am. And the state should as well.

17 **Q You mentioned that you also spoke with someone**
18 **at Diversified about whether you needed to be registered**
19 **or not, is that correct?**

20 A Yes, that is correct. We were looking for --
21 again, because we had not -- we were an RIA only and
22 didn't necessarily want to take -- we wanted to do
23 everything, you know, by the books and how it needs to be
24 done but we did not want to take the additional steps or
25 costs of affiliating with a broker dealer or pulling, I

1 guess complicating things as far as an ADV goes and
2 researching broker dealers and we were seeing if it was a
3 necessary step. Which we were told, you know, it wasn't
4 because we had other outside, you know, income that was
5 disclosed on the ADV.

6 And at a later date they did say it probably
7 would be required -- or they were looking into it and we
8 were seeing if we absolutely had to at the 2012, after
9 that last examination. As far as the state goes.

10 **Q I guess the question is who at Diversified did**
11 **you speak to about whether you needed to be registered or**
12 **not?**

13 A That was probably Matthew Welch. I don't know
14 if he brought their legal counsel on, but I believe it
15 was -- I did speak with one or more people up there at
16 that time and asked what other people -- how they had set
17 it up or how they were doing it to meet all the
18 requirements. Because, again, we were not experienced --

19 **Q What did he tell you?**

20 A I believe he said they had some RIAs that did
21 not have to go through a broker dealer or they may have
22 even had people that were not securities licensed, as it
23 wasn't a publicly traded investment. So I left with the
24 understanding that I did not have to take -- since we're
25 already set up as an RIA and already heavily -- I hate to

1 say regulated, but we were already regulated and
2 licensed, that we didn't have to take the extra steps to
3 add on a level or affiliate with an additional broker
4 dealer.

5 **Q Did you ever have any discussions with**
6 **Diversified's securities counsel?**

7 A Not that I can recall. And I'm not sure who
8 their securities counsel is or was.

9 Was that the David Hackney that was listed on
10 the questionnaire?

11 **Q Yes. Did you ever speak with Mr. Hackney?**

12 A No, not that I can recall. And I just
13 typically dealt with Matthew Welch. I think we talked
14 with Candie and possibly Carmine and -- but mainly
15 Matthew Welch.

16 **Q In your form ADV in which you did disclose the**
17 **Diversified investment, you stated that RTAG receives a**
18 **10% finder's fee payable from Diversified Energy Group**
19 **and this is fully disclosed in the Diversified Energy**
20 **Group literature. See the offering memorandum for**
21 **specifics and risks.**

22 **Where exactly was that disclosed?**

23 A Which offering memorandum are you looking at?
24 It's a very -- I don't have a copy of that in front of
25 me.

1 **Q Oh, I guess we could introduce -- let's**
2 **introduce one. If the Court Reporter can mark the**
3 **document in the folder labeled F. It's a copy of the**
4 **October 6, 2011, PPM that was produced by you, Mr.**
5 **Hampton -- or Mr. Scurlock, as Diversified Exhibit Number**
6 **155.**

7 (SEC Exhibit Number 155 was marked
8 for identification.)

9 A It looks like it's right on the front page, the
10 compensation. As far as what goes to the company. Let's
11 see. But let's see if they list it -- because on the
12 front it mentions the 10% or shows the 10%. But let's
13 see if they...

14 BY MS. SPRINGER-CHARLES:

15 **Q Were you looking on the first -- since we are**
16 **not together, what exactly were you looking at?**

17 A It's right on the front -- well, it's right on
18 the front page, showing that of the \$10,000, \$9,000 goes
19 to the company and I'm seeing if it's also specifically
20 mentioned as 10%. Because it's a 30 plus page document
21 and I believe it was in here on one of their documents in
22 addition to being on the front page.

23 Yep, on page 6 it mentions a fee of up to 10%.
24 And it may mention it again but I've only made it to page
25 6.

1 Q Okay. Well, for now just stopping on page 6,
2 it says, the company paid participating broker dealers,
3 if any, a fee of up to 10%. No broker dealers have been
4 identified as of the date of this memorandum.

5 I guess how would that relate to the fee that
6 you received if you were not a broker dealer? Or
7 affiliated with --

8 A They may have been just using the term
9 generally. I have clients that call me a financial
10 advisor, financial planner, accountant, insurance person,
11 financial consultant. So I'm referred to as several
12 different terms or titles. But it doesn't, I guess,
13 change what I do. And I don't know if their finder's fee
14 mentions that you have to be affiliated with a broker
15 dealer or not. But we were -- after questioning the
16 state --

17 Q I guess going back to page 1 or the front of
18 the document, number 3, the last sentence says, In
19 addition, commissions get paid in connection with the
20 sale of the bonds to registered securities broker
21 dealers.

22 So again, I guess I'm wondering how those
23 disclosures would involve the payment of fees to you.

24 A What --

25 Q Or would include the payment of fees to you.

1 A Which number three were you referring to? I'm
2 sorry, I've got a couple documents here and there's a lot
3 of fine print and a lot of paperwork.

4 Q Number 155.

5 A Okay.

6 Q And the first page.

7 A Okay.

8 Q Number three.

9 A Oh, I'm sorry, I was looking at page 3.

10 Q That last footnote 3, the last sentence is what
11 I was reading and I was just wondering how that would
12 encompass the fees that were paid to you, or did you
13 believe that it did?

14 A I believe that it did and we are registered.
15 We're registered with the state as an investment advisory
16 firm. You hear, you know, registered advisory -- you
17 hear just general terms thrown around, so we are
18 registered but I guess we're not registered or duly
19 registered with a broker dealer.

20 Q Did you ever represent to anyone at Diversified
21 that you were registered?

22 A Yes, because we are registered as a registered
23 investment advisor. We never represented that we were
24 registered with a broker dealer. And that's one of the
25 questions we had for them, if we needed to be. And we

1 were told we did not.

2 Q So you made the distinction that you were
3 registered as an investment advisor and not as a broker
4 dealer?

5 A Yes, that is correct. And that's some of the
6 discussions we had with them initially, if we needed to
7 become duly registered or if our RIA covers -- because it
8 typically covers a broader spectrum, if we needed to add
9 another -- or become duly registered. And we were not
10 lead to believe we needed to at that time.

11 I guess we could have --

12 Q Looking at this -- go ahead.

13 A I say we could have become duly registered. It
14 was fairly easy or straightforward and we had a clean
15 regulatory history. I may have needed to either pull my
16 license out of escrow or re-take a certain securities
17 exam, since we've not needed those securities. But we
18 could have become duly registered very easily but it
19 would have been only for this one -- I guess this one
20 product.

21 So I was already licensed on the insurance side
22 with the state and the securities side with the state but
23 we could have added another regulatory body or another --
24 we could have registered I guess as a broker dealer. But
25 we were lead to believe we did not need to do that.

1 Q Turn with me to page 13 and 14 of the document,
2 Exhibit Number 155.

3 A Okay.

4 Q Under management discussion and analysis there
5 seems to be some extensive discussion of Diversified's
6 financial condition which I don't believe appeared in any
7 of Diversified's previous offering memos.

8 What did you think when you saw the extensive
9 discussion that we see here, starting on page 13 and
10 through page 17?

11 A I think it was good to, you know, list assets
12 and liabilities and give more information, be more
13 transparent to the client.

14 Q On page 14, looking at the paragraph that
15 begins, During the period.

16 In that paragraph, the second sentence says,
17 Net income for the period was a negative \$308,993 due to
18 losses in the hedge account.

19 Economic conditions related to the downgrade of
20 U.S. debt caused substantial market volatility resulting
21 in losses.

22 When you saw these losses, what did you think?

23 A That they had an income loss but they had,
24 according to the overall assets, according to this, they
25 had -- you know, they had a net -- net assets, the actual

1 assets were listed. So they had, you know, extra assets
2 but a down year. And on revenues of one -- let's see,
3 yeah, so lost income wise for the year but still had
4 assets and should have income from those assets at that
5 time.

6 **Q** What assets are you referring to just so that
7 the record is clear?

8 A The assets they list in the paragraph -- or two
9 paragraphs above, with the oil and gas reserve and
10 properties and I guess their corporate office. And
11 additional rental property and cattle and their
12 subsidiary companies. That they said were owned --

13 **Q** You weren't particularly concerned about the
14 net -- negative net income or the loss, based on what
15 Diversified said, is because of the listed assets?

16 A Yes. It's not good to see a down -- you know,
17 a down year, a negative income number, but if something
18 had assets or holdings that could appreciate in value and
19 you had more assets listed than liabilities, in the event
20 of an insolvency or default, you've got some -- hopefully
21 would have some security there.

22 **Q** Ask the Court Reporter to mark the document in
23 the folder labeled G as Diversified Exhibit Number 156.
24 It's an 11/4 -- it's 11 e-mails from Matt Welch to Mr.
25 Scurlock. And it attaches a DEG bond extension document.

1 (SEC Exhibit Number 156 was marked
2 for identification.)

3 A I've got it.

4 **Q** Okay. What is this document and why did Mr.
5 Welch send it to you?

6 A This was one of the documents I referred to
7 earlier. I believe once an investor's bond had matured,
8 if they wanted to extend it or renew it, they had to do
9 this -- he would give them an update of their, I guess,
10 condition or current offering and then they'd refill the
11 forms out and re-send them in if they wanted to reinvest
12 or they could cash out or request a payment if they did
13 not want to reinvest.

14 **Q** And did you distribute this document to any
15 investors?

16 A I believe it was sent directly to the client,
17 but some clients would bring them in or we had access to
18 them or could print them off to give to the clients. But
19 they came from and were produced by Diversified Energy
20 Group.

21 **Q** I would ask the Court Reporter to mark the
22 document that is in the folder labeled H, it's an e-mail
23 from Matt Welch to Mr. Scurlock dated December 13th,
24 2011, as Exhibit Number 157.

25 A Thank you.

1 (SEC Exhibit Number 157 was marked
2 for identification.)

3 **Q** Do you have that document in front of you?

4 A Yes, ma'am.

5 **Q** What is this -- why did Mr. Welch send you this
6 e-mail?

7 A I don't know if I requested a list of
8 investors. I'm not sure why he sent it, but it looks to
9 be a list of accredited or non-accredited investors.

10 **Q** Did you assist any of these investors I guess
11 with obtaining a renewal or an extension?

12 A I'm sorry, are you asking me if I assessed the
13 clients --

14 **Q** Assisted --

15 A Oh, assisted, okay. I may have. Sometimes
16 they could fill out -- those extension forms were fairly
17 basic. Sometimes they do it themselves and send them in.
18 Other times they'd bring them in or ask questions or want
19 us to -- they'd want to fill them out in front of us.

20 So, yes, I guess we assisted some, others we assisted in
21 no way, shape or form, possibly. But people usually
22 would have questions that we could try to answer or send
23 them to Diversified Energy if they needed help filling
24 out paperwork.

25 **Q** I'd like to ask the Court Reporter to mark the

1 document in the folder labeled E as Diversified Exhibit
2 Number 158. It's a copy of 9.25% -- what appears to be
3 an excerpt from a bond brochure.

4 (SEC Exhibit Number 158 was marked
5 for identification.)

6 A Okay.

7 **Q** Do you have that document in front of you?

8 A I do, yes.

9 **Q** On the first page of this document, looking
10 down at the bottom right hand corner, it says there's
11 some investor quotes, do you see those from [REDACTED] in
12 Florida, [REDACTED] in California and [REDACTED] in Kentucky; do
13 you see those?

14 A Yes, I do.

15 **Q** Okay. Is [REDACTED] in Kentucky the [REDACTED] that you were
16 discussing before?

17 A Yes, I believe it is. [REDACTED].

18 **Q** Did he provide this quote for use in any of
19 Diversified's documents?

20 A You'd have to ask him but I know he spoke with
21 Matthew Welch multiple times and seemed to be very happy
22 with the interest rates -- or returns compared to, you
23 know, CDs. So I would say he did. But I don't know for
24 certain.

25 **Q** On this same first page of Exhibit Number 158,

1 under the heading "What do I own", do you see that
2 heading?

3 A Yes, I do now.

4 Q It says the registered corporate bond paying
5 9.25% annually over a 12 month period. What did the word
6 "registered" mean to you?

7 A Well, it's not my -- I don't have experience
8 really with individual bonds in general. But I would
9 guess or say that it means it's been through not
10 necessarily approval process but it's been registered or
11 documents have been filed with their state as far as the
12 offering.

13 Q Do you mean the state securities regulator?

14 A That's what I would guess. State or the
15 national.

16 Q Did anyone at Diversified ever tell you that
17 the bonds were registered with the state of Florida
18 and/or with the -- I guess the SEC?

19 A Not that I can remember. I know they never
20 used the words like approved, but I do know they had to
21 file and get things reviewed before they could offer them
22 to the public. And I'm not sure what regulatory body or
23 bodies those were going through.

24 Q Where did you get this document, I don't think
25 I asked you that?

1 already on file -- I hate to call it on file, but if it's
2 already determined by an outside party before it's sold,
3 I don't know if that's a requirement or oil and gas wells
4 or not.

5 Q If you knew that Diversified did not have
6 geological or engineering studies to corroborate its
7 estimated reserve values, would you have still
8 recommended the investment to -- I guess the Diversified
9 investment to your clients or others?

10 A No, I don't think so. You want actual hard
11 assets and professional, you know, opinions or estimates
12 of those assets. So, no, if they were doing exploratory
13 drilling and had no reserves or -- yeah, no assets, then
14 no, it would not have been -- it would not have made
15 sense as an investment. I would not have encouraged
16 anyone to make that investment.

17 Q I guess the question specifically, if you knew
18 that the reserves weren't corroborated by experts like
19 engineers or a geologist, would you have still
20 recommended the investment to anyone?

21 A Probably not. How would they have been
22 corroborated or estimated then? But if there was no
23 estimation or they were just making it up or didn't rely
24 on any professionals, then no, I would not have
25 encouraged anyone to make that investment.

1 A These were mailed out from Diversified. Almost
2 like a brochure -- I think I referred to it earlier that
3 they'd showed past performance and assets and projected
4 growth. This is information that they provided.
5 Diversified Energy that is.

6 Q Underneath this same heading of "What do I
7 own", it says a financial instrument backed by over 7.9
8 million in assets continually growing. What did you
9 think were included in these assets?

10 A I'd say everything. Everything they owned.

11 Q Did you believe that it included the reserves?

12 A Yes.

13 Q I believe we talked about this before, but just
14 to make the record clear, you did not have any
15 discussions with anyone at Diversified about how
16 Diversified arrived at its estimated reserve totals,
17 correct?

18 A No specifics, no.

19 Q Generally what did they -- did I guess Matt
20 Welch or anyone else at Diversified tell you about how
21 Diversified arrived at its estimated reserve totals?

22 A I don't know exactly how they arrived at it.
23 It may have been explained to me but I couldn't say
24 exactly how they arrived or the process the used or if
25 they used the geologist or an outside party or if it was

1 Q Turn with me to the second page of Exhibit
2 Number 158. On the top left hand corner there's a box
3 that says, identified. Do you see that?

4 A Yes, I do.

5 Q If you read to yourself the first paragraph,
6 tell me what that meant to you when you saw it.

7 A The first paragraph seemed like they have staff
8 or people, you know, employees that have worked with big
9 companies like Chesapeake Energy, Marathon Oil and those
10 other companies.

11 Q Okay, so you believed that there were
12 individuals who worked at Diversified that had the
13 experience with these companies listed?

14 A Yes. And I believe that information was
15 corroborated or mentioned like in their -- some of their
16 other literature had mentioned where their executives or
17 owners or partners had worked before.

18 Q And read for me to yourself the second
19 paragraph and tell me what it meant to you when you saw
20 it.

21 A That they have an economic -- basically that
22 they have an analysis and geological information that was
23 being reviewed, you know, by -- they say "our geologist",
24 so like -- do they have a geologist -- I don't know if
25 they go on retainer, but they have one on staff or that

1 they use that had worked with big companies like BP,
2 Amoco and Chevron.

3 **Q Did you believe that such geologist reviewed**
4 **each well in which Diversified invested?**

5 A I would --

6 **Q Or analyzed each well?**

7 A I would believe so. It wouldn't be a sound
8 investment if they -- if they didn't. I think they do
9 that on --

10 **Q By question is, did you believe that between**
11 **2009 and 2012, did you in fact believe that?**

12 A Yes.

13 **Q Did anyone at Diversified ever tell you that**
14 **personally in addition to what, I guess, you're reading**
15 **here?**

16 A Just general information or comments made that
17 our geologist or you heard him or her, I don't know his
18 or her name or if it's a team or a company, but you heard
19 them mentioned before. I don't know if it was
20 specifically mentioned or I never asked, do they look at
21 every well that you purchased or considering purchase, it
22 was just believed to be the case or they made it sound
23 like they had geologists that reviews things before they
24 place bids or they know what something's worth before
25 they buy it.

1 But was never told that they don't look at all
2 of the wells or send their geologist in.

3 **Q Look with me now at B. There are three graphs**
4 **in the middle of the page, do you see them?**

5 A Yes.

6 **Q There is a -- and the information here, just**
7 **looking at the other graphs, it looks like it's**
8 **information as of September 2010. The graph on the left**
9 **is a four year average strategy history graph. What did**
10 **this graph mean to you when you saw it?**

11 A It looks like a comparative return between the
12 four year returns of the S&P versus Diversified Energy
13 Group.

14 **Q Did you believe that that graph indicated that**
15 **for a four year period, I guess Diversified had a four**
16 **year average with, I guess, return of 90.9% as of**
17 **September 2010.**

18 A I would say it would be the average -- or
19 basically the total return or the average -- total return
20 over those four years but it doesn't have a start or stop
21 date on it. So I'm not a hundred percent certain if they
22 meant as the four year total return or four year return
23 on -- I'm not sure exactly what they meant. But it's
24 much higher -- it's -- their projection is much higher
25 than the S&P. But I would have lead to believe -- I would

1 think that that's the four year return, I would guess
2 total return rather than just the annual return.

3 **Q So based on that did you believe that**
4 **Diversified had been trading in its accounts for at least**
5 **four years?**

6 A Yes. They would have -- yeah, they would have
7 had to to have a history going back that far.

8 **Q I know that it's past lunch but we do have a**
9 **few more documents to discuss and then we will be over**
10 **for the day. Is that okay with you?**

11 A Yes.

12 **Q I'd like to ask the Court Reporter to show you**
13 **Diversified Exhibit Number 137.**

14 **Q Do you have that document in front of you?**

15 A Yes, I do.

16 **Q Looking at the page that's Bates labeled**
17 **Diversified 38548.**

18 A Okay.

19 **Q And the top box there is a -- it's under the**
20 **word "benefits", there's a part that says unmatched**
21 **opportunity. And it says guaranteed 8.25% return on**
22 **investment. Have you ever seen a document like this from**
23 **Diversified with the word "guaranteed" in it?**

24 A None others that I can think of. But I've seen
25 -- they produced several like this. This is very similar

1 to the previous -- I guess the previous brochure or the
2 previous exhibit. They don't -- they did not list it as
3 guaranteed on the last one but they list it as guaranteed
4 on this one.

5 **Q Had you ever seen any of the brochures that had**
6 **the word "guaranteed" in them?**

7 A Not -- well, I may have. I didn't -- it didn't
8 really stand out to me because they should not have put
9 that in there. Because it's not FDIC insured, it's not -
10 - I guess they could say they guarantee it but that's
11 something that I guess companies do with their bonds but
12 they usually don't put it in writing like that. Or if
13 they would, I'd think they'd have to disclose who it's
14 guaranteed by.

15 But I don't remember seeing the word guaranteed
16 in there anywhere else or any other documents. But I do
17 see it here.

18 **Q I'd please ask the Court Reporter to show you**
19 **Exhibit Number 43 that was previously introduced.**

20 A In this -- I'm sorry, in this Exhibit 137, this
21 looks like it was from 2009. This looks like it was from
22 2009 and we really didn't sign on or do anything with
23 them till -- well, we didn't sign on with them till
24 December of 2009. So this may have been before our time.

25 **Q Okay.**

1 A And I do have the next exhibit.

2 Q Okay. Have you ever seen this document or one
3 like it before?

4 A Yes, I've seen -- they produced -- I assume
5 that they have produced a couple of these or something
6 similar to these before.

7 Q Again, this is an example of one of the
8 documents that you did not produce to us and so I
9 wondered if you ever received any documents like this.

10 A I believe we did. And I thought we had scanned
11 in and sent you any of the blank brochures that we had
12 received.

13 Q After today's testimony if we can follow up on
14 the various PPMs that I expected to see because there's
15 certain of your clients or for other investors that you
16 referred to Diversified that are in those offerings, but
17 I did not see them. And so maybe after today's testimony
18 we can discuss that, is that fine?

19 A Sure, that's fine. Yeah, we spent days
20 scanning things in and trying to get them to you quickly
21 and I thought we had everything we needed, including
22 duplicates and brochures and I think we even put a scan
23 of a plain black and white folder in there.

24 Can you provide me with what all we sent and
25 then I can see what's missing?

1 Q We actually -- I know we had talked previously
2 about that and we are actually still waiting on a
3 response as to whether we can return those documents to
4 you or not or copies of them. And so I will try to
5 follow up again today to see if we can receive a
6 response. Okay?

7 A Great, thank you.

8 Q Turn with me to the page that's Bates labeled
9 22155 through 22156.

10 Do you see the bio of the board of directors
11 and management there?

12 A Yes.

13 Q And did you see those before today?

14 A I believe I had at some point in the past.

15 Q What did Matt Welch or anyone else tell you
16 about the backgrounds of the individuals that worked at
17 Diversified as far as just in general? Other than what
18 we've discussed today.

19 A That's pretty much it. That they've, you know,
20 had experience in the oil and gas industry. He give me a
21 little rundown or background information about himself.
22 That's pretty much all that they really had shared.

23 Q Would you have wanted to know about any
24 regulatory history that any of the individuals at
25 Diversified may have had?

1 A Yes.

2 Q Did anyone discuss anything related to any
3 regulatory history of any of the individuals at
4 Diversified with you?

5 A No, I don't think so. And I don't think
6 Ameritrade --

7 Q If any.

8 A I don't -- I don't think so and Ameritrade did
9 not find anything or ask us about any that I know of. On
10 my research I think we found a company with a similar
11 name but it wasn't related to Diversified. It was
12 Diverse -- it wasn't Diversified Energy, it was
13 Diversified something else in another state. But I
14 believe it was an unaffiliated company.

15 But, yes, we would have wanted to know about
16 that information.

17 Q Did you research any of the companies listed in
18 the bios of the individuals?

19 A No, because I don't think we got these bios
20 until well after -- yeah, this is dated 2011, so this
21 would have been a couple of years after we started, you
22 know, dealing with them.

23 Q You mentioned before that you had invested in
24 Diversified. On how many occasions did you invest and
25 how much money each time?

1 A I don't know exact dates. We had a couple
2 small investments, my wife and I -- I'm just saying kind
3 of both of ours. One was 10 or 15,000 and then we had
4 proceeds from the sale of a home we were going to use to
5 buy another home, we ultimately did and we put 50 or 100
6 I think at one time with them. And then when it matured
7 we used it to buy a home.

8 Q When did you buy that home?

9 A Four -- three years ago. And then we bought a

10 --

11 Q In 2010?

12 A 2010. I believe it was April or May. And we
13 since actually have sold that home and purchased another
14 one.

15 But I believe the dates and dollar amounts
16 would be in all the information we already sent to you.
17 And so I don't have that memorized.

18 Q I guess based on records that we have, it
19 appears that you redeemed the last I guess amount of your
20 investment with Diversified in September 2011. Why was
21 that?

22 A We actually invest in real estate. So we just
23 -- rental houses. And we had a HELLOC, or a home equity
24 loan line of credit, I believe we used to pay off about
25 that time. I'd have to go back and see what the exact

1 date was on that. But we're actually getting better
 2 returns from the investment properties rather than the
 3 stock market or any bonds.

4 **Q Your father, you mentioned that he invested?**
 5 A Yes, ma'am, he did.

6 **Q On how many occasions?**
 7 A I believe one or two.

8 **Q And is he still invested?**
 9 A Yes, ma'am, he is.

10 **Q Has he received a check every month since March**
 11 **2012 from Diversified?**
 12 A I believe he has. I don't know if he's gotten
 13 one
 14 -- well, he wouldn't have received it for July yet, but I
 15 believe he's up to date and they have not missed a
 16 payment so far.

17 **Q Have they missed any payments to any of your**
 18 **clients or anyone else that you have referred to**
 19 **Diversified?**
 20 A No, not that I know of or have heard about.
 21 And I'm sure we would hear about it if they did.

22 **Q Was your father an accredited investor at the**
 23 **time of his investment or any renewal that he's had?**
 24 A Yes.

25 **Q We talked previously I guess before today about**

1 I guess your desire to get copies of the records that you
 2 sent to us to provide to the state of Kentucky. Why does
 3 the state of Kentucky want the records that we have in
 4 our possession?
 5 A Because I mentioned that you had requested all
 6 of the documents that we had and they wanted to know what
 7 you requested and they wanted copies of everything you
 8 had or you had requested.

9 **Q Was this in conjunction in one of those audits**
 10 **that they do every 18 months or so?**
 11 A It wasn't -- it wasn't directly related to an
 12 audit but it was related to Diversified Energy and
 13 whether we were going to get licensed as a broker dealer.
 14 And we do not --

15 **Q So the state approached you to discuss**
 16 **Diversified Energy Group and whether you were going to**
 17 **get licensed or did you approach the state?**
 18 A They approached us, I guess several months
 19 after the last exam.

20 **Q And what did -- did they send you a letter or**
 21 **did they call?**
 22 A I'm not sure. But we did speak with them on
 23 the phone.

24 **Q And what did they say when they contacted you?**
 25 A They'd asked if we were still offering any

1 Diversified Energy Group bonds. We said no. They asked
 2 when we stopped, why we stopped. Then they -- I think
 3 they had seen the previous folders or files, you know,
 4 client forms, but then they asked what -- we told them
 5 what was going on of why we stopped offering the
 6 investments, you know, they're not being offered any
 7 longer, they're subject to an investigation. And they
 8 wanted -- we said, you know, you guys are investigated
 9 them, had not found any wrongdoing yet. And I don't know
 10 if they're conducting their own investigation or they
 11 just wanted all the documents that we had sent to you to
 12 be sent to them.

13 And we spent hours and hours and hours scanning
 14 them in and sent you the thumb drive so it would be nice
 15 just to be able to get that back or send that directly on
 16 to them because it'll save us several days worth of work
 17 in scanning again.

18 **Q Do you have any additional information on any**
 19 **of the topics that we covered in testimony today?**
 20 A Not that I can think of. I've had a few
 21 clients ask what would be the possible outcome, you know,
 22 of an investigation or, you know, they all received
 23 questionnaires. And I -- I say I don't know what the
 24 outcomes will be. Can you share what's ongoing in the
 25 investigation or potential outcomes for the investors?

1 **Q I guess right now the investigation we're in**
 2 **the fact gathering stage and our investigations are**
 3 **confidential and non-public. So there isn't much that we**
 4 **can share with you.**
 5 A Okay. So I should just basically take the same
 6 position, just tell individuals exactly what you've said
 7 to me, is that we don't have the information, you could
 8 contact the SEC but they're basically going to say that
 9 it's -- they're in the fact finding stages and it's a
 10 confidential process or confidential information anyway,
 11 so that cannot be shared. Unless there's findings or --

12 **Q We can't advise you on what you can or should**
 13 **not tell your clients. That's entirely up to you.**
 14 A I know we don't have any answers for them.
 15 Okay, so never mind. I can't -- we should not -- I know
 16 you said you can't give us advice, but would you want
 17 them directed to your office to get questions answered?
 18 Because we want to direct them somewhere or try to give
 19 them help in getting answers if we don't have them. But
 20 I don't want to burden you or waste your time or theirs.

21 **Q If that's what you want to do, it's your**
 22 **choice. It's completely your choice.**
 23 A Okay, thank you.

24 **Q Are there any subject areas or questions that**
 25 **you thought the staff might ask about today that we did**

1 not ask?

2 A No, you're very thorough. I think we've
3 covered --

4 Q Are you aware of any other --

5 A I'm sorry, go ahead.

6 Q Are you aware of any other information that you
7 think might be helpful to the SEC for purposes of this
8 investigation?

9 A No, I don't think so. Shortly after those
10 initial letters went out from Diversified Energy saying
11 that they're changing the interest rate or making those -
12 - basically altering those bonds, they clammed up and
13 would not share any information or really give any
14 updates. I think because they know there's an ongoing
15 investigation. So we unfortunately don't have
16 information, doesn't sound like we can get any
17 information until something is found out or been able to
18 be made public. So we've not received any information in
19 months or probably over a year. And we're just kind of
20 waiting for an answer or waiting for an update or
21 findings or whatever the outcome is.

22 But if we do get information, we'll be sure and
23 certainly pass it along, but it doesn't sound like we'll
24 be getting any from them until this is all wrapped up.

25 Q Other than you and your wife and your father,

1 information.

2 Q Anyone else?

3 A Other than the clients, an office member and
4 wife, no.

5 Q Have you spoken with anyone about your
6 appearance here today?

7 A Not that I can think of. I think my wife -- my
8 wife and that's it.

9 Q Do you know anyone else who has been subpoenaed
10 or testified in this investigation?

11 A No. But I hadn't asked and I saw one of the
12 documents, it looks like there was a lot of people or are
13 advisors and I didn't know any of them and didn't really
14 look closely as far as where they're located. So, no,
15 none that I know of.

16 MS. SPRINGER-CHARLES: Okay, let's go off the
17 record for one minute.

18 (A brief recess was taken.)

19 MS. SPRINGER-CHARLES: We are back on the
20 record at 12:35 on June 9th (sic), 2013. Mr. Scurlock,
21 have we had any substantive discussions while we were off
22 the record?

23 THE WITNESS: No, ma'am.

24 BY MS. SPRINGER-CHARLES:

25 Q We would like to remind you that this is a

1 did any other of your -- any other family member invest?

2 A No, I don't think so. I guess my father and
3 mother -- I'm not sure if theirs was in a joint or my
4 father's name only, but she would have been the
5 beneficiary. But none of my other family members would
6 have accredited or wouldn't have been suitable for them.

7 Q Have you spoke to anyone other than your wife
8 and the state about this investigation?

9 A No, other than Mr. Ryan Finnell who's in our
10 office. He's I guess the duly licensed individual.
11 Because he received the subpoena or was taking messages
12 and asked what it was about. So we just gave him some of
13 the basics, that it's in regards to, you know, an old --
14 the one private placement we'd offered that's been just a
15 nightmare. We won't be doing any more of those but did
16 not get into specifics.

17 And he's not familiar with the company or had
18 no dealings with them.

19 Q Did you speak with anyone else?

20 A I've had clients that have called and have
21 asked about the questionnaires recently that were
22 received.

23 But did not or cannot explain or go into
24 details about the investigation or what's going on with
25 Diversified because we don't know and can't get that

1 confidential non-public investigation. We have no
2 further questions at this time. However, in the future
3 we may wish to call you again to testify in this matter.
4 If this is necessary, we'll contact your counsel. Do you
5 wish to -- or we will contact you, I'm sorry.

6 Do you wish to clarify any statement you have
7 made today?

8 A No, but wanted to make sure you had the most
9 recent or our newer address. We recently moved. I think
10 initially the subpoena went to our old address. Did we
11 already give that to you?

12 Q Sure, you can state that.

13 A Okay. It's -- actually the office address is
14 probably best. [REDACTED], Lexington, Kentucky
15 40503.

16 And I hope I've been helpful. I don't have all
17 the information memorized, it's been so long ago and we
18 deal with so many people and read so many documents, it's
19 tough to have all that memorized.

20 Q Do you wish to add anything to more completely
21 respond to any statements you've made today?

22 A No, I think we've covered everything pretty in-
23 depth.

24 MS. SPRINGER-CHARLES: Okay, so then we are off
25 the record at approximately 12:35 on June 9th, 2013.

1 (Whereupon, at 12:35 p.m., the examination was
 2 concluded.)
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1 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
 2 REPORTER'S CERTIFICATE
 3
 4 I, Gary L. Baldwin, reporter, hereby verify that the
 5 foregoing transcript of 103 pages is a complete, true,
 6 and accurate transcript of the testimony indicated, held
 7 on July 9, 2013, at the U.S. Attorneys Office, 260 W.
 8 Vine Street, Suite 300, Lexington, Kentucky, in the
 9 matter of Diversified Energy Group, File Number FL-03747-
 10 A.
 11 I further certify that this proceeding was recorded
 12 by me, and that the foregoing transcript was prepared
 13 under my direction.
 14
 15 Date: _____
 16 Official Reporter: _____
 17 Diversified Reporting Services, Inc.
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1 PROOFREADER'S CERTIFICATE
 2
 3 In The Matter of: DIVERSIFIED ENERGY GROUP, INC.
 4 Witness: Richard Hampton Scurlock, III
 5 File Number: FL-03747-A
 6 Date: Tuesday, July 9, 2013
 7 Location: Lexington, KY
 8
 9 This is to certify that I, Maria E. Paulsen,
 10 (the undersigned), do hereby swear and affirm that the
 11 attached proceedings before the U.S. Securities and
 12 Exchange Commission were held according to the record and
 13 that this is the original, complete, true and accurate
 14 transcript that has been compared to the reporting or
 15 recording accomplished at the hearing.
 16
 17 _____
 18 (Proofreader's Name) (Date)
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Notice

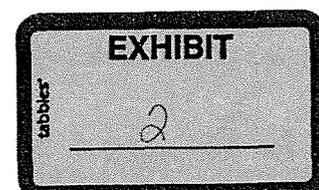
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Request Submitted: 5/15/2015 10:18:43 PM

Organization: 145285 - RETIREMENT TAX ADVISORY GROUP

Administrative Information

Organization CRD#: 145285 SEC#:

Primary Business Name: RETIREMENT TAX ADVISORY GROUP

Legal Name: RTAG

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Public Reporting Company: No

Registrations:

Regulator	Registration Status	Status Effective Date
Kentucky	Approved	12/31/2010

Notice Filings:

<<No notice filings found for this Organization.>>

Exempt Reporting Statuses:

<<No Exempt Reporting Status found for this Organization.>>

Form Of Organization:

Legal Status: Corporation Month Fiscal Year Ends: December
State Of Formation: Kentucky Country Of Formation: UNITED STATES

Disclosure Questions:

Yes Answers: 11H(2),2F(1),2F(2)

No Answers: 11A(1),11A(2),11B(1),11B(2),11C(1),11C(2),11C(3),11C(4),11C(5),11D(1),11D(2),
11D(3),11D(4),11D(5),11E(1),11E(2),11E(3),11E(4),11F,11G,11H(1)(a),11H(1)(b),
11H(1)(c),2(C),2(D),2E(1),2E(2),2E(3),2E(4),2E(5),2F(3),2F(4),2F(5)

Unanswered: None

Non-Disclosure Questions:

Yes Answers: 1(I),1(L),5F(1),6B(1),6B(3),8A(2),8C(1),8C(2),8E,9A(1)(a),9A(1)(b),9B(1)(a),9B(1)(b)

No Answers: 4A,6B(2),7B,8A(1),8A(3),8B(1),8B(2),8B(3),8C(3),8C(4),8F,9D(1),9D(2),10A

Organization: 145285 - RETIREMENT TAX ADVISORY GROUP

Administrative Information

Unanswered: 8D,12A,12B(1),12B(2),12C(1),12C(2)

Types Of Advisory Services:

Financial planning services	Yes
Portfolio management for individuals and/or small businesses	Yes
Portfolio management for investment companies/BDCs	No
Portfolio management for pooled investment vehicles	No
Portfolio management for businesses (other than small businesses) or institutional clients	Yes
Pension consulting services	Yes
Selection of other advisers	Yes
Publication of periodicals or newsletters	No
Security ratings or pricing services	No
Market timing services	No
Educational seminars/workshops	No
Other	No
Other detail	

Direct Owners and Executive Officers:

Full Legal Name: SCURLOCK, RICHARD, HAMPTON

Title or Status: PRESIDENT

Date Acquired: Ownership Code: 75% or more D/F/I: Individual

Control Person: Yes Public Company: No ID #: 3172045

Indirect Owners:

<<No Indirect Owners found for this Organization.>>

Other Business Names:

Name: RETIREMENT TAX ADVISORY GROUP

Jurisdiction(s): KY

Name: RTAG

Jurisdiction(s): KY

Organization: 145285 - RETIREMENT TAX ADVISORY GROUP

Administrative Information

Other Business Activities:

Broker-dealer	No
Registered representative of a broker-dealer	No
Commodity pool operator, or commodity trading advisor	No
Futures commission merchant	No
Real estate broker, dealer, or agent	No
Insurance broker or agent	Yes
Bank (including a separately identifiable department or division of a bank)	No
Trust company	No
Registered municipal advisor	No
Registered security-based swap dealer	No
Major security-based swap participant	No
Accountant or accounting firm	No
Lawyer or law firm	No
Other financial product salesperson	Yes

Succession Information:

<<No Succession Information found for this Organization.>>

Private Funds:

Adviser to Private Funds: No
 Count of Private Funds - 7.B.(1): 0
 Count of Private Funds - 7.B.(2): 0

Custody Information:

Advisor Custodian

Cash/Bank Accts: Yes
 Securities: Yes
 U.S. Dollar Amount: ██████████
 Total Number of Clients: 200
 Qualified Custodian: No

Related Persons

Cash/Bank Accts: Yes
 Securities: Yes
 U.S. Dollar Amount: ██████████
 Total Number of Clients: 200
 Qualified Custodian: No

Reports

Quarterly Statements: No
 Annual Audit: No

Surprise Exam: No
 Internal Control Report: No

Organization: 145285 - RETIREMENT TAX ADVISORY GROUP

Reportable Disclosures

Occurrence:	56626	Disclosure Type:	Civil Judicial Action
Public Disclosable:	Yes	Reportable:	Yes

Disclosure Review Comments:

Form:	ADV	Received:	03/20/2014
Source:	IA		
Questions:	11H(2), 2F(1), 2F(2)		

PART I

A. Person or Entity for which this DRP is being filed is(are):

Applicant and One or more Control Affiliates

Advisory Affiliate/Individual Name: SCURLOCK, RICHARD, HAMPTON

CRD#: 3172045

Type of Advisory Affiliate: Individual

Registered: Yes

B. If Advisory Affiliate is registered through the IARD system or CRD system, has Advisory Affiliate submitted a DRP or BD DRP? Yes

Civil Judicial DRP Content

1. Court Action Initiated by: NOT REQUIRED AS OUTLINED IN PART I B AS ANSWER IS YES. SEE U-4.

2. Principal Relief Sought:

Other relief sought:

3. Filing Date/Explanation:

SEE CRD

4. Principal Product Type:

Other product type(s):

5. Formal Action brought in:

6. Employing firm:

7. Allegations:

8. Current Status: Pending

9. Court/Date Appealed to:

10. Date Served/Explanation: 02/14/2014
NOTICE WAS SERVED IN FEBRUARY 2014

11. Resolution:

12. Resolution Date or Explanation:

13. (A) Resolution Detail:

(B) Other Sanctions:

Organization: 145285 - RETIREMENT TAX ADVISORY GROUP

Reportable Disclosures

(C) Sanction Detail:

14. Summary: SEE CRD

Occurrence: 56627 Disclosure Type: Civil Judicial Action

Public Disclosable: Yes Reportable: Yes

Disclosure Review Comments:

Form: ADV Received: 03/20/2014

Source: IA

Questions: 11H(2), 2F(1), 2F(2)

PART I

A. Person or Entity for which this DRP is being filed is(are):

Applicant and One or more Control Affiliates

Advisory Affiliate/Individual Name: SCURLOCK, RICHARD, HAMPTON

CRD#: 3172045

Type of Advisory Affiliate: Individual

Registered: Yes

B. If Advisory Affiliate is registered through the IARD system or CRD system, has Advisory Affiliate submitted a DRP or BD DRP? Yes

Civil Judicial DRP Content

1. Court Action Initiated by: NOT REQUIRED BECAUSE PART I B ABOVE WAS ANSWERED WITH A YES.

2. Principal Relief Sought:

Other relief sought:

3. Filing Date/Explanation: SEE CRD

4. Principal Product Type:

Other product type(s):

5. Formal Action brought in: SEE CRD

6. Employing firm:

7. Allegations: SEE CRD

8. Current Status: Pending

9. Court/Date Appealed to:

10. Date Served/Explanation: 12/19/2013
SEE CRD. NOTICE WAS SERVED IN DECEMBER 2013.

11. Resolution:

12. Resolution Date or Explanation:

13. (A) Resolution Detail:

CRD® or IARD(TM) System Current As Of: 05/14/2015

Snapshot - Firm

CRD® or IARD(TM) System Report provided to: SEC

Request Submitted: 5/15/2015 10:18:43 PM

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Organization: 145285 - RETIREMENT TAX ADVISORY GROUP

Reportable Disclosures

(B) Other Sanctions:

(C) Sanction Detail:

14. Summary: SEE CRD

Organization: 145285 - RETIREMENT TAX ADVISORY GROUP

Non-Reportable Disclosures

Occurrence: 33471 Disclosure Type: Judgment/Lien
Public Disclosable: No Reportable: No

Disclosure Review Comments:

Form: ADV Received: 05/09/2013
Source: IA
Questions: 2(D)

PART I

A. Person or Entity for which this DRP is being filed is(are):

Applicant and One or more Control Affiliates

Advisory Affiliate/Individual Name: SCURLOCK, RICHARD, HAMPTON

CRD#: 3172045

Type of Advisory Affiliate: Individual

Registered: Yes

Judgment/Lien DRP Content

- 1. Judgment/Lien Amount: \$0.00
- 2. Judgment/Lien Holder: 0
- 3. Judgment/Lien Type: DEFAULT
- 4. Date filed/Explanation: 01/01/2001
NOT APPLICABLE
- 5. Outstanding: No
 - Status Date/Explanation: 01/01/2001
CHECKED YES IN ERROR
 - Resolution: Removed
- 6. Court Name/Location and Docket/Case Number: NONE
- 7. Summary: ENTERED YES IN ERROR. SYSTEM WILL NOT ALLOW US TO REMOVE THIS ITEM. SPOKE WITH SUPPORT PERSON ON 4-02-08 AND WE CAME UP WITH THIS WORKAROUND TO FILL IN THE FIELDS TO PASS THE COMPLETENESS CHECK AND BE ABLE TO FILE.

Organization: 145285 - RETIREMENT TAX ADVISORY GROUP

PART 2 Brochures

Brochure ID: 87173
Brochure Name: ADV 10/25/2012
Brochure Type: Individuals, High net worth individuals, Other institutional, Financial Planning Services
Brochure Filing Status: Confirmed
Brochure Version: 1

Jurisdiction

Kentucky

Brochure Jurisdiction Status

Accepted

Brochure ID: 108801

Brochure Name: 2A BROCHURE 2014
Brochure Type: Individuals, High net worth individuals, Other institutional, Financial Planning Services
Brochure Filing Status: New
Brochure Version: 1

Jurisdiction

Kentucky

Brochure Jurisdiction Status

Accepted

Brochure ID: 112157

Brochure Name: 2A BROCHURE 3//202014
Brochure Type: Individuals, High net worth individuals, Selection of Other Advisers/Solicitors
Brochure Filing Status: New
Brochure Version: 1

Jurisdiction

Kentucky

Brochure Jurisdiction Status

Pending

FINDER'S FEE AGREEMENT

THIS FINDER'S FEE AGREEMENT (the "Agreement") is made and entered into this 15th day of December 2009, by and between Hampton Sewlock, having its principal place of business at 160 Moore Drive #201 Lexington, KY 40503 ("Finder"), and **DIVERSIFIED ENERGY GROUP, INC.**, a corporation duly organized and existing under the laws of Delaware, having its principal place of business at 140 Intracoastal Pointe Dr, Suite 211, Jupiter, FL 33477 ("DEG").

WHEREAS, DEG acknowledges that Finder may introduce DEG to potential investors, for the purpose of potential investors extending financing to DEG; and

WHEREAS, subject to the terms and conditions of this Agreement, DEG is willing to pay to Finder a finder's fee in the event a transaction is consummated with the potential investors.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and for other good and valuable consideration, the receipt of which are hereby acknowledged, the parties hereto agree as follows:

WITNESSETH

1. **Term.** This Agreement shall be effective for a period of one year commencing on the date first written above.
2. **Finder's Fee.** In consideration of the Introducing Agent services, the Company hereby agrees to pay to Introducing Agent upon closing of each transaction with an investor introduced to the Company by the Introducing Agent a fee equal to 5 percent (5%) of the aggregate value of all cash, securities (whether debt or equity), and other property paid or payable in the Placement (the "Fee"). Each Fee is payable within five business days of Company receiving cleared funds from the investor. Each fee shall be based upon the amount of that particular investment alone. Introducing Agent agrees to pay its own expenses.
3. **Introduced Parties.** In order to prevent any conflicts of interest, Finder shall notify in writing DEG of the names, address, and telephone number of any prospects that may have an interest in DEG. DEG shall non-circumvent finder in the event that one of their prospects shall contact DEG directly. Finder will not negotiate the transaction between their investor and DEG. In the event that Finder becomes involved in the negotiation of the transaction, DEG will be prohibited from providing a fee to Finder.
4. **Termination.** This Agreement may be terminated by either party, with or without cause, upon fifteen (15) days prior written notice to the other party. In the event that this Agreement terminates, Introducing Agent will be entitled to fees set forth in Section 2 (above) of the Agreement ("Finders Fees") with respect to any financing transaction (whether equity, debt, or a combination) with investors or prospective investors introduced to the Company by Introducing Agent, provided that the transaction is consummated within 12 months following the termination of the Agreement.

5. **Non-Exclusive Relationship.** Finder acknowledges and agrees that engagement as provided herein shall be on a non-exclusive basis, and DEG shall be free to engage such other finders, brokers, consultants or agents as it shall deem necessary in its sole and absolute discretion.

6. **Governing Law.** This Agreement shall be governed by and construed and enforced in accordance local laws of the State of Florida applicable to agreements made and to be performed within the State, without regard to conflict of laws principles thereof; venue shall be in Palm Beach County, Florida.

7. **Binding Effect.** This Agreement shall inure to the benefit of, and is binding upon, the parties hereto and their respective principals, shareholders, heirs, officers, representatives, successors and assigns.

8. **Waiver.** No waiver of any provision hereof shall be valid unless it is in writing signed by the person against whom it is charged. No waiver of any provision herein shall constitute a waiver of any other provision hereof, or of the provision at any other time.

9. **No Joint Venture.** This is an agreement between separate legal entities and neither is the agent or employee of the other for any purpose whatsoever. The parties do not intend to create a partnership or joint venture between themselves. Neither party shall have the right to bind the other to any agreement with a third party or to inure any obligation or liability on behalf of the other party. Each party shall be obligated to pay their own taxes in connection with any fees earned in connection with this Agreement and no taxes shall be withheld from any fee paid to Finder.

10. **Complete Agreement.** This Agreement contains the whole agreement between the parties concerning the subject matter hereof and there are no collateral or precedent representation, agreements or conditions not specifically set forth herein.

11. **Modification or Amendment.** Any modification or amendment of any provision of this Agreement must be in writing, signed by the parties hereto and dated subsequent to the date hereof.

IN WITNESS WHEREOF, the parties hereto have executed this Finder's Agreement on the day, month and year first written above.

[COMPANY]

DIVERSIFIED ENERGY GROUP, INC.,
a Delaware corporation

By: gk H

By: D/S/L

Name: Hampton Scudlock

Name: David B. Harvick JR

Title: Consultant

Title: President



FINDER'S FEE AGREEMENT

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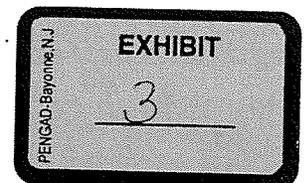
WHEREAS, DEG acknowledges that Finder may introduce DEG to potential investors, for the purpose of potential investors extending financing to DEG; and

WHEREAS, subject to the terms and conditions of this Agreement, DEG is willing to pay to Finder a finder's fee in the event a transaction is consummated with the potential investors.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and for other good and valuable consideration, the receipt of which are hereby acknowledged, the parties hereto agree as follows:

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3. Introduced Parties. In order to prevent any conflicts of interest, Finder shall notify in writing DEG of the names, address, and telephone number of any prospects that may have an interest in DEG. DEG shall non-circumvent finder in the event that one of their prospects shall contact DEG directly. Finder will not negotiate the transaction between their investor and DEG. In the event that Finder becomes involved in the negotiation of the transaction, DEG will be prohibited from providing a fee to Finder.
4. Termination. This Agreement may be terminated by either party, with or without cause, upon fifteen (15) days prior written notice to the other party. In the event that this Agreement terminates, Introducing Agent will be entitled to fees set forth in Section 2 (above) of the Agreement ("Finders Fees") with respect to any financing transaction (whether equity, debt, or a combination) with investors or prospective investors introduced to the Company by Introducing Agent, provided that the transaction is consummated within 12 months following the termination of the Agreement.



Part 2A of Form ADV: Firm Brochure

Item 1 Cover Page

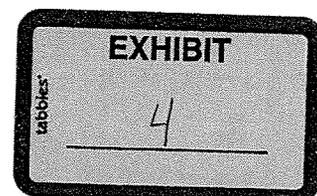
Firm and Contact Information:
RTAG dba Retirement Tax Advisory Group
160 Moore Drive, Suite 201
Lexington, KY40503
859.233.1083
Richard Hampton Scurlock, III
hampton@retirementtag.com
www.retirementtag.com
Date of brochure: June 30, 2011

This brochure provides information about the qualification and business practices of RTAG. If you have any questions about the contents of this brochure, please contact us at 859.233.1083 or hampton@retirementtag.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about RTAG also is available on the SEC's website at www.adviserinfo.sec.gov.

RTAG is a registered investment adviser. Please note, registration does not imply a certain level of skill or training.

Hampton Scurlock is a CERTIFIED FINANCIAL PLANNER (R) and information on this designation, training, education, ethics, and additional requirements can be found at www.cfp.net



Item 2 Material Changes

Material changes have been made since the 2010 ADV brochure. The June 2011 form ADV is using a new required format. The majority of this ADV is the same or very similar to the previous ADV part 2 filings. Please read this brochure in its entirety. The most recent information in the newest ADV overrides that of previous filings.

Additional disclosures are being made regarding outside activities and compensation. See Section 10 for additional information. Hampton Scurlock now serves on a paid advisory board for Peoples Exchange Bank in Lexington, KY. He has an arrangement with Diversified Energy Group that compensates him for finding investors for their private placements. The compensation is outlined in section 10 and in the offering memorandum. RTAG can charge for performing tax preparation services. These services typically start at \$59 for a regular tax return and can increase up to \$499 for complex returns. The tax services are provided by Kenneth Garrett and/or Hampton Scurlock, CFP(r).

Item 3 Table of Contents

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Item 4 Advisory Business

RTAG/Retirement Tax Advisory Group is owned by principle, Richard Hampton Scurlock, CFP(r) III. Mr. Scurlock started in the financial industry in 1998. RTAG/Retirement Tax Advisory Group began business in 2005. Mr. Scurlock's previous financial business was known as Scurlock Financial that offered investments, financial planning, and insurance products.

RTAG offers the following services:

Investment supervisory services, tax preparation, and financial planning services. RTAG may also furnish advice to clients on matters involving securities, insurance products, financial decisions and other financial related matters.

This may include, (but is not limited to) the following products and/or advice/information

Equity securities (exchange-listed securities, securities traded over-the-counter, Foreign issuers)

Warrants, Corporate debt securities (other than commercial paper), Commercial paper, Bonds

Certificates of deposit, Money Market Funds, Municipal securities, US Government securities

Investment company securities (variable life insurance, variable annuities, mutual fund shares, ETF's, REIT's)

Interests in partnerships investing in real estate, oil and gas interests. Including private placements.

Management of investment advisory accounts not involving investment supervisory services

Furnishes advice to clients on matters involving securities, and insurance products (outlined in section 10)

Advisory services are tailored to individual growth and asset protection needs taking into account the desires of the client such as short-term and long-term need for accessing funds, comfortable risk level of individual, and balanced allocation of funds by investment type (CD, retirement plan, money market mutual fund, etc). Clients may impose restrictions on investing (or not investing) in certain securities. RTAG does not participate in a wrap fee program.

Clients will receive statements/reports at least quarterly from the custodian. They may also receive updates or have their questions answered via e-mail, fax, telephone, web conference, etc. with their advisor. Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the custodian of the clients accounts.

RTAG is using TD Ameritrade Institutional, Division of TD Ameritrade, Inc. member FINRA/SIPC as custodian/broker, but the client is free to chose any firm. Client will receive monthly statements from the custodian, TD Ameritrade (not RTAG) as well as have internet access to account values/holdings through their web site. You may at any time increase/decrease your managed assets. These assets will, at all times, be held solely in your name & will require your authorization for withdrawal. At no time during the agreement shall the advisor be deemed to be a custodian over the assets in any fashion. RTAG is deemed to have discretionary authority over all client assets under our management.

RTAG may also provide advice about exchange traded funds (ETFs) and any type of investment held in a client's portfolio at the beginning of the advisory relationship for which we are licensed and knowledgeable. All individuals that render investment advisory services on behalf of RTAG must have earned a college degree and/or have investment related experience in addition to all required licenses.

As of 6/8/2011 RTAG has approximately \$6,330,000 under management at TD Ameritrade, all of which is discretionary. This calculation includes assets held at TD Ameritrade, but does not include assets that we advise on that are held outside of TD Ameritrade such as CD's, life insurance, non-TD Ameritrade money markets, company stock, investment real estate, direct held investments, etc. This number can fluctuate.

Item 5 Fees and Compensation

RTAG offers investment advisory services for compensation by: (1) A percentage of assets under management
(2) Hourly charges or
(3) Fixed fees (not including subscription fees)

RTAG will, after consultation, recommend that you maintain and/or establish accounts into which you can deposit funds and/or securities (taxable and tax-favored), trusts, stock options, retirement plans, managed bank accounts, IRA's, custodial accounts, investment real estate partnerships, limited partnerships, and variable insurance products. "Managed Assets" does not include: Clients's personal use assets (residences/properties & vehicles), collectibles, defined benefit retirement plans, unmanaged bank accounts, fixed/traditional insurance products, social security benefits, and closely held businesses.

Registrant provides these asset management services subject to the following annual fee schedule: Managed Assets 1st \$500,000=1%, next \$500,000=0.8%, next \$1,000,000=0.6%, assets > \$2,000,000=negotiable. Fees are payable quarterly and in arrears with clients paying their personal investment related expenses. Example: \$100,000 under management would be billed 0.25% each quarter or \$250. In accordance with the documents executed at the custodian, you will grant us the limited authority to bill our fee to your account. Client may terminate agreement within five days of execution without penalty and receive a full refund. Client fees are deducted from account.

Clients with managed assets greater than \$100,000 will be entitled to ongoing consultations (and financial plan reviews, if applicable) with no additional fees from RTAG (other than managed assets fee or tax services chosen by client). RTAG has a \$100,000 minimum requirement that can be waived by RTAG for clients that agree to invest systematically.

RTAG can also provide services per consultation/project subject to a flat fee or per hour basis (\$150 per hour, billed in 15 minute increments). An additional fee (based on clients's financial situation/complexity) can be charged if a written financial plan is to be prepared. This fee, not to exceed \$10,000, is agreed upon and paid in advance before the preparation of a personal financial plan and includes consultations (up to one a quarter) for the period of one year. For fees over \$500 services are to be provided within 6 months.

RTAG can waive fees for employees, employee family members, independent contractors, and independent contractor family members upon approval of Richard Hampton Scurlock, III. Fees can be, but are typically not negotiated. Payment arrangements other than those outlined here can be done only if agreed to in writing by all parties and all legal, regulatory, and other requirements are met.

Clients who invest with Diversified Energy Group do not pay a management fee to RTAG. RTAG receives a 10% finders fee payable from Diversified Energy Group. This is disclosed fully in the Diversified Energy Group literature. See the Offering Memorandum for specifics and risks. This investment would not be suitable for all clients and carries various risks. This is a private placement in an oil/energy company.

Clients may incur brokerage and other transaction costs at a rate dependent on the investment company, custodian, investment choice, and possibly other factors. Clients have the option to purchase investment products that RTAG recommends through other brokers or agents that are not affiliated with RTAG. RTAG may also receive commissions on the sale of insurance products, but clients are not obligated to purchase such products. If they decide to purchase such products they are free to use other licensed insurance agencies/agents if they choose that are not affiliated with RTAG.

Item 6 *Performance-Based Fees* and Side-By-Side Management

Not Applicable.

RTAG does not charge a performance based fee. Charging in this manner could create a conflict of interest and additional fees charged to the client. This type of arrangement could lead RTAG or it's agents to favor accounts for which a performance based fee is charged.

Item 7 *Types of Clients*

Investment advice is available to a wide variety of clients including individuals, trusts, estates, pensions and profit sharing plans, charitable organizations, and corporations/business entities.

The account minimum for RTAG's service is \$100,000. Minimum can be waived if the client agrees to invest systematically and RTAG agrees to waive minimum. The client investment advisory fee is based on asset size while any applicable financial/tax planning fees are based on the complexity of clients' financial situations and/or time spent. Hourly planning and fixed fee services can also be offered on an individual basis. See Item 5 for specifics.

There are many methods of reviewing investment strategies in which RTAG use to formulate investment advice, choose investments, and/or in manage assets or accounts. There are also many sources of research that are used. This can include:

Financial newspapers and magazines

Research materials prepared by others including, but not limited to Morningstar ratings.

Corporate rating services

Annual reports, prospectuses, filings with the Securities and Exchange Commission

Company press releases

RTAG can use various tools and questionnaires to assess the risk tolerance of a client. These tools will help in determining a suitable portfolio of investments to meet their needs. These needs may include, but are not limited to: risk tolerance, liquidity needs, age, time frame, investment experience, assets to be invested, tax considerations, effect on financial aid, ownership of assets, basic estate planning considerations, health of client, income needs, and other factors. This questionnaire can be used again and completed again (possibly multiple times over many years) to determine if client circumstances have changed and the portfolio needs to be adjusted.

Investing in securities involves risk of loss that clients should be prepared to bear. Stocks will fluctuate in value. Diversified Energy Group is not FDIC insured, refer to subscription documents for details and warnings of risk. All investments are subject to multiple types of risk including, but not limited to: investment risk, business risk, inflation risk, political risk, liquidity risk, default risk, currency risk, and others.

All investments, including CD's carry varying degrees and possibly different risks. All investments can lose purchasing power or value. Any investor should carefully research any investment and be willing to accept all risks and worst potential outcome before making any investment. It is possible that investments may lose ALL value. We do not recommend primarily a particular type of security. We recommend several types and different securities for our clients. These can include, but are not limited to mutual funds, ETFs(exchange traded funds), stocks, bonds, bank products/accounts, and others). Refer to prospectus for details or specific mutual funds or perform extensive research for information on mutual funds and other types of investments. Excessive trading may hinder performance and incur investment costs/penalties. RTAG does not suggest/practice "day trading" or a high level or turnover within accounts.

Types of risk defined:

Investment Risk-risk that an investment will result in loss. All investments have investment risk: a stock may decline; a bond may default, and underlying asset of a derivative may not behave in a certain way.

Business Risk-risk that a company will go bankrupt. Every company carries the business risk that it will produce insufficient cash flow in order to maintain operations.

Inflation Risk-risk that inflation rate will exceed the rate of return on an investment. Example, if the rate of inflation is 5% over a year and the rate of return is 3%, then the investor has effectively taken a loss even though he/she has made a profit in absolute terms.

Political Risk-risk that a government will alter its policies or other regulations so that it significantly affects an investment. Laws, regulations, tariffs, import/export policies, treaties, war, deregulation, regulation, etc. are examples.

Liquity Risk-risk that an individual will have difficulty in selling an asset without incurring a loss or even be able to sell an asset at all.

Default Risk-risk that debtor will be unable to repay its loans.

Currency Risk-In currency exchange, the possibility that one currency will devalue to the exchanger's detriment.

Item 9 Disciplinary Information

RTAG has had no disciplinary actions, fines, liens, or judgements.

RTAG is member of the Better Business Bureau, Commerce Lexington, Kentucky Association of Senior Services, and other organizations.

Item 10 Other Financial Industry Activities and Affiliations

RTAG can offer tax preparation services and is a licensed insurance agency in Kentucky. RTAG can receive compensation from these activities and commissions for the sale of insurance products. RTAG will also receive a finders fee as outlined in item 5 for placement of funds into Diversified Energy Group, a private placement. This compensation is disclosed and these assets are not charged a management fee. This compensation is disclosed to the client and this helps manage and inform the client of how we are compensated which helps to manage potential conflicts of interest. Annuities, insurance, and private placements are not suitable and/or available for all clients.

In the event a client would like to purchase an insurance policy/annuity or place money into Diversified Energy Group there are multiple pages of paperwork/disclosures and signatures involved that will outline the specifics of that product or products. This additional paperwork, disclosures, free look period (if applicable) helps to ensure that the client understands the product/s and a possible conflict of interest may occur because RTAG and it's agents may receive more compensation from one product or company than another. RTAG does not charge management fees on investments/product/insurance policies/annuities where RTAG is compensated directly from the issuer. These may actually be cheaper for the client in over several years depending on a variety of factors, but the compensation to RTAG or agents may be initially higher. RTAG will attempt to provide all relevant information to clients when evaluating their choices and disclose when RTAG will receive compensation other than from fees paid directly from our clients.

Mr. Scurlock serves on the Board of Advisors at Peoples Exchange Bank. This is a position that receives monetary compensation of approximately \$1,000 a year. He is not an employee of the bank or receive any compensation if he refers anyone to any of their products, loans, or accounts.

RTAG abides by the Financial Planning Association Code of Ethics which is as follows:

1. Integrity- Provide professional services with integrity
2. Objectivity- Provide services objectively
3. Competence- Maintain the knowledge and skill necessary to provide professional services competently
4. Fairness- Be fair and reasonable in all professional relationships. Disclose conflicts of interest.
5. Confidentiality - Protect the confidentiality of all client information.
6. Professionalism- Act in a manner that demonstrates exemplary professional conduct.
7. Diligence - Provide professional services diligently

Any advisor with RTAG will not knowingly sell personally or company owned securities to any client. Advisors must keep records of their personal accounts and trades as stated in the compliance handbook. These records can be shared with regulators as part of regular examinations.

If RTAG advisors own any securities that they are recommending for purchase or sale to clients this information must be disclosed to the clients immediately. This could create a conflict of interest and clients must be informed of this situation. Brokerage Firms may be allowed to sell securities from their own inventory or purchase securities from clients, but this is a conflict of interest because there can be an incentive for an employee/firm to profit at the clients expense. This could involve purchasing securities from a client at a lower price and charging them a higher price when a client wants to purchase a security. RTAG advisors must follow the guidelines in the compliance handbook and not knowingly sell personally or company owned securities to any client at any time.

Item 12 Brokerage Practices

RTAG is not a brokerage firm. We will attempt to get fair prices for clients as they buy/sell securities. We rely on actual brokerage firms such as TD Ameritrade for the actual execution and custody services. Clients can use multiple brokerages. RTAG may change custodians/brokers if it significantly improves the cost, execution, or other aspects of trading securities for the clients.

We do not have any soft dollar arrangements or receive any compensation from broker-dealers. We may use research from a variety of sources including free or services that we pay for from sources such as Morningstar(r).

In the instance the client incurs transaction costs, commissions, or early withdraw fees from TD Ameritrade or other custodian RTAG does not pay those costs or receive additional compensation. The client pays these transaction fees.

RTAG does not aggregate orders this could create a conflict and complications in the purchase and sale pricing of securities for clients. By not aggregating orders, it may cause higher brokerage costs to the client.

Item 13 Review of Accounts

Principle/s of the firm will conduct client reviews annually or as needed. This will be determined by the client and reviewer. If tax preparation is to be completed then that will be undertaken on a recurring annual basis and can be coordinated with annual client reviews. Additional fees may be incurred for using our tax preparation services. These services typically start at \$59 (if not done pro bono) and increase based on complexity and time involved up to \$499 as outlined in section 2. Triggering factors where a review would be suitable would include (but not limited to) marriage of client, death, birth, divorce, move, change in investment philosophy/risk tolerance, inheritance, significant financial changes, tax law revisions, retirement account legislation, and other items that have a significant financial impact on the client. These reviews may be done by any of the licensed advisors at RTAG; Hampton Scurlock, Kenneth Garrett, John Cooper.

Principle/s and advisors receive monthly statements from TD Ameritrade and have online access to view accounts at any time.

Financial plans may be generated using software paid for by RTAG. This plan may also need to be updated as the situation and circumstances of the clients change. This may be more frequently than annually, but all plans should be reviewed annually. Plans may be updated at the agreement of client and advisor.

Item 14 *Client Referrals and Other Compensation*

Not applicable.

RTAG does not pay for client referrals. RTAG does not have quotas or proprietary products, as these create a conflict of interest between RTAG and our clients.

RTAG is not a solicitor for another investment advisor.

Item 15 *Custody*

RTAG clients will receive statements regularly from their custodian. Currently, TD Ameritrade sends out monthly statements directly to clients and allows for online access. RTAG does not send out client statements.

Item 16 Investment Discretion

RTAG is deemed to have investment discretion. This is granted in the advisor agreement and also on the account paperwork from TD Ameritrade granting a limited power of attorney to allow the account to be managed, trades to be placed, and advisory fees to be deducted from the client accounts. Discretion is granted without consulting the client each time.

Clients may place limitations on this authority such as to not sell a particular security/investment for sentimental or tax reasons.

Item 17 Voting *Client* Securities

RTAG does not vote proxies on any securities owned by our clients.

Clients should receive their proxies or other solicitations directly from their custodian or transfer agent unless they choose not to provide that information or opt out of such programs. Clients can contact RTAG with questions related to voting or a particular solicitation.

Item 18 Financial Information

Not applicable. RTAG does not solicit prepayment of more than \$500 in fees per client. There is no financial conditions that is likely to impair RTAG's ability to meet contractual commitments to clients.

RTAG or its principle have not been subject to or filed any bankruptcy petitions.

John Cooper DOB [REDACTED]
Worked for IDS Insurance and American Express.
John has over 15 years in the insurance industry.
Life/Health Licensed in the state of KY.
Series 65 licensed and an IAR of Retirement Tax Advisory Group

Richard Hampton Scurlock III, CFP(R) [REDACTED]
Education/Experience (limited list below)
Transylvania University B.A. Business
Boston University - Financial Planning Certificate Program
CERTIFIED FINANCIAL PLANNER (R) Professional
Life/Health Insurance Licensed State of KY Initially 1998
Self-employed/owner in financial services industry 2001-current
Financial Advisor, American Express Financial Advisors 1999-2001
Agent/Intern, First Investors (Wall-Street Based Investment/Insurance Firm) 1998-1999

Kenneth E. Garrett [REDACTED]
Education/Experience (limited list below)
Auburn University - Montgomery, Bachelor of Science in Business Administration
Farmers Insurance Agent 2005-2006
Retirement Tax Advisory Group, Financial Planner 2009-current
Series 65 Licensed, Uniform Investment Advisor

Richard Hampton Scurlock, CFP(R) invests in real estate and spends 10-15 hours per week/weekend.

RTAG provides a tax return service seasonally for clients for compensation. This can involve up to 50 hours a week during tax season (February-April 20th). RTAG is also a licensed insurance agency and can offer insurance products. This information is also included in section 10.

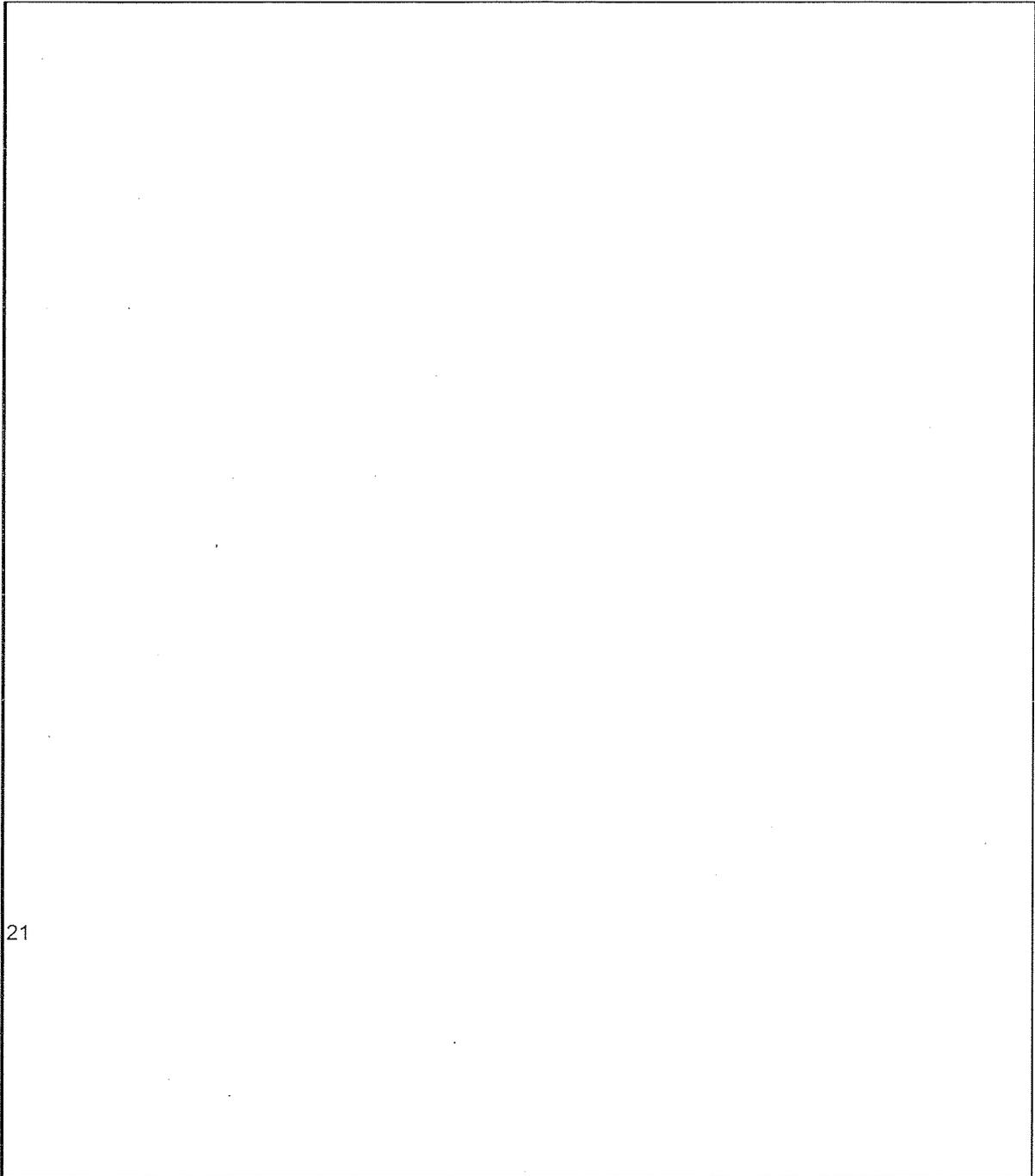
John Cooper spends the majority of his work week 20-55 hours as an insurance agent offering insurance and annuities.

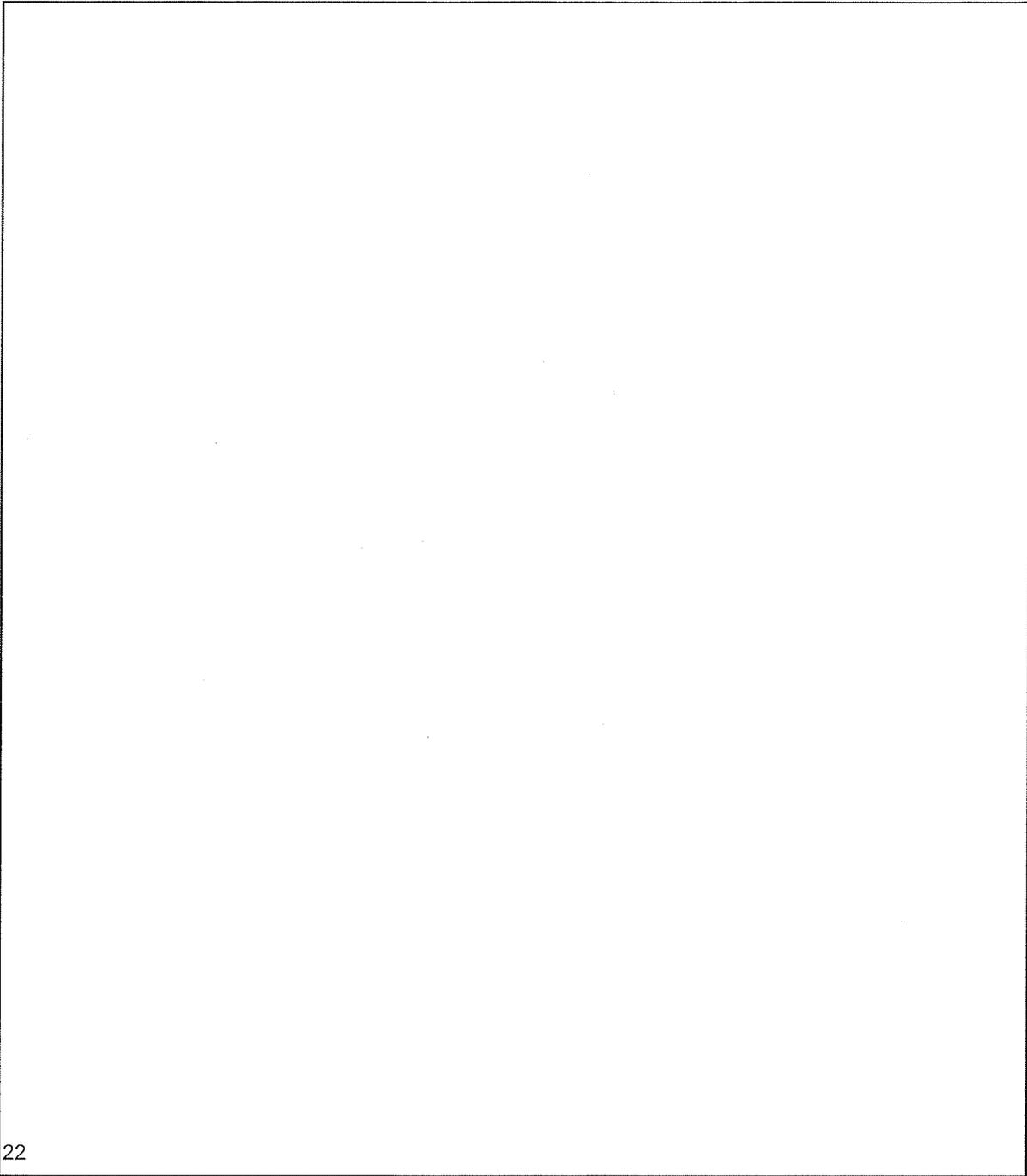
The individuals named above have not been involved with any arbitration, civil, regulatory, or administrative proceedings that are directly related to the investment industry such as fraud, license revocation or suspension, or criminal cases involving the investment business.

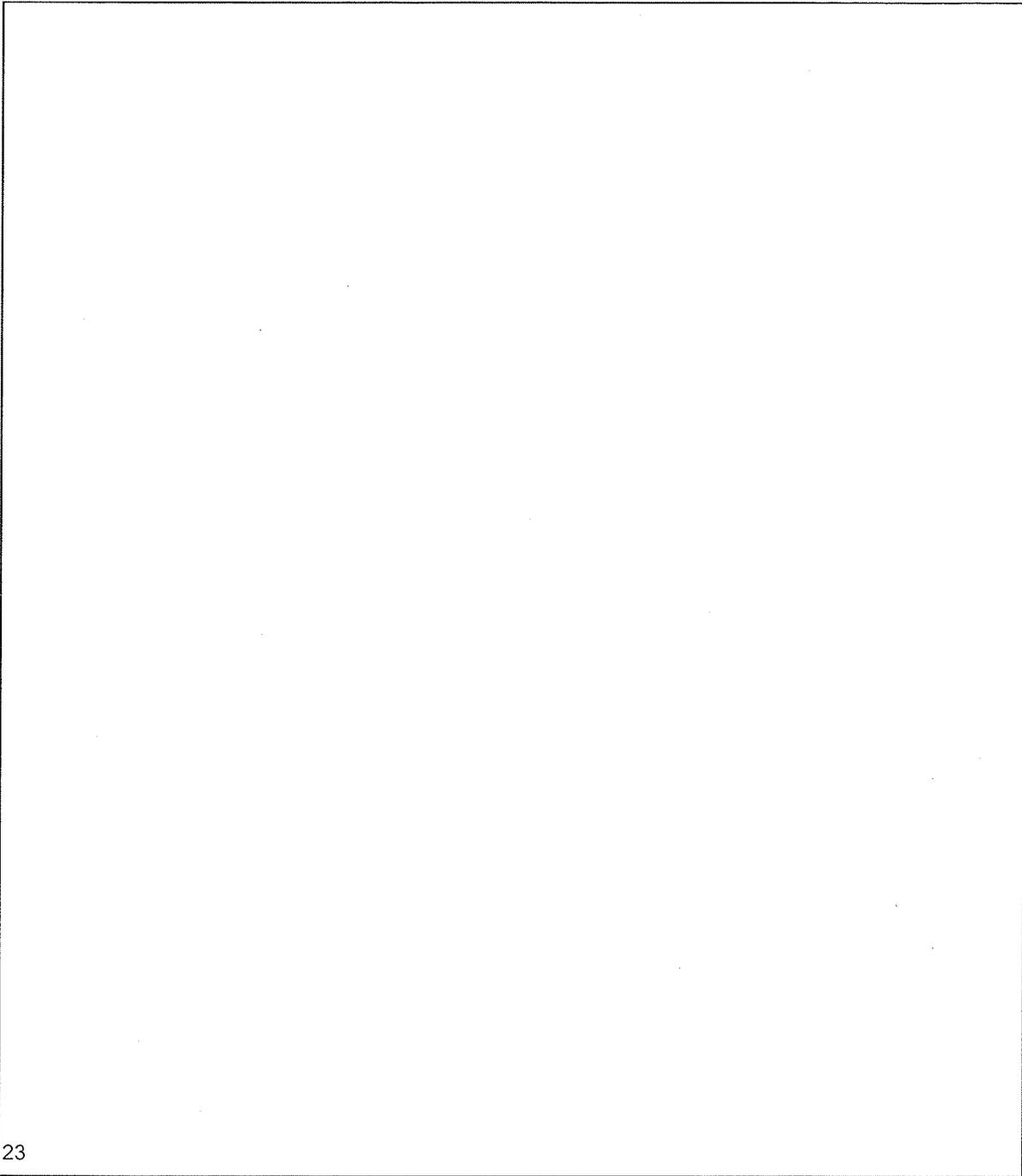
RTAG has not been liable in arbitration, civil, regulatory, or administrative proceedings of any type.

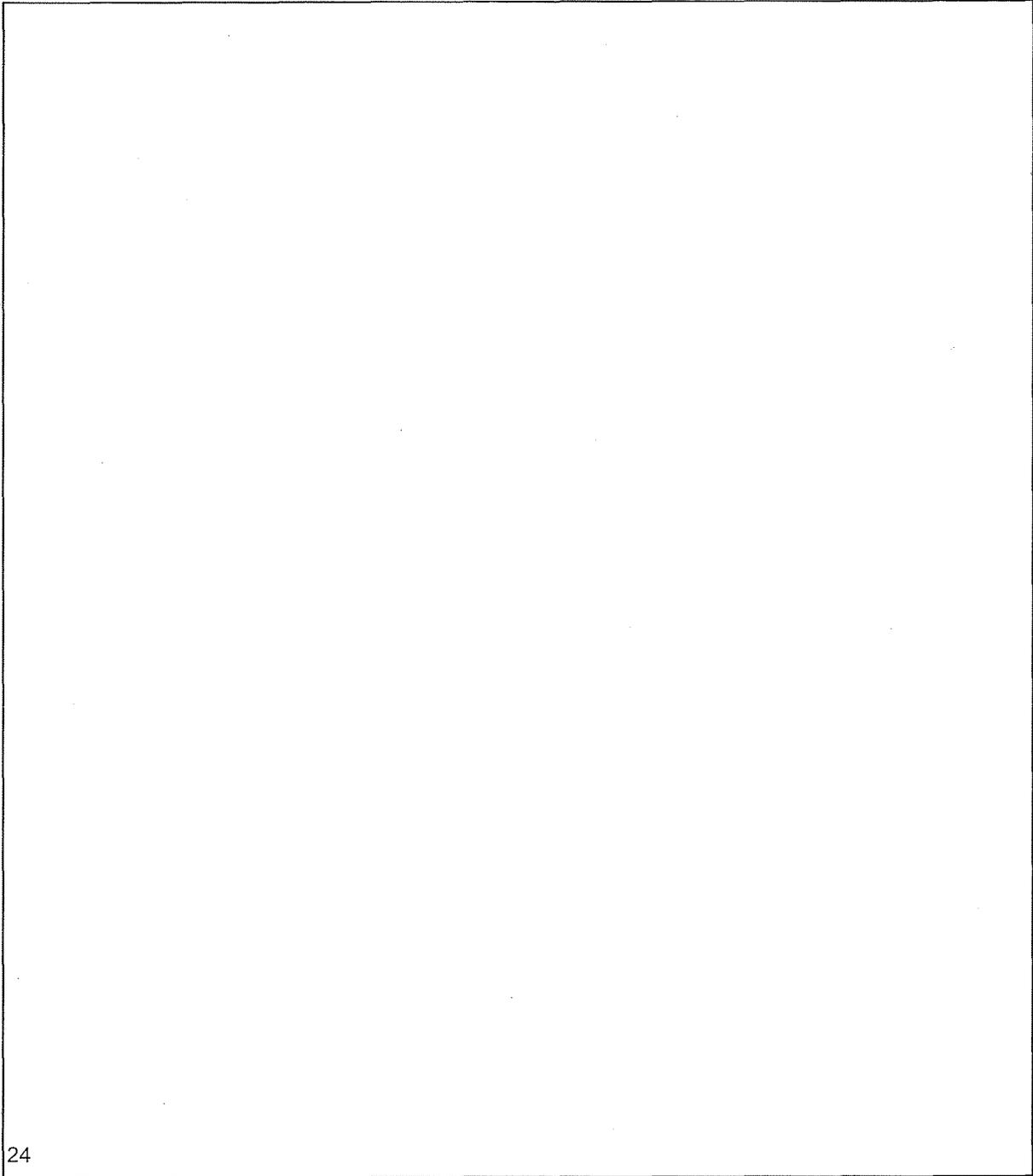
RTAG is a member of Commerce Lexington and the Better Business Bureau.

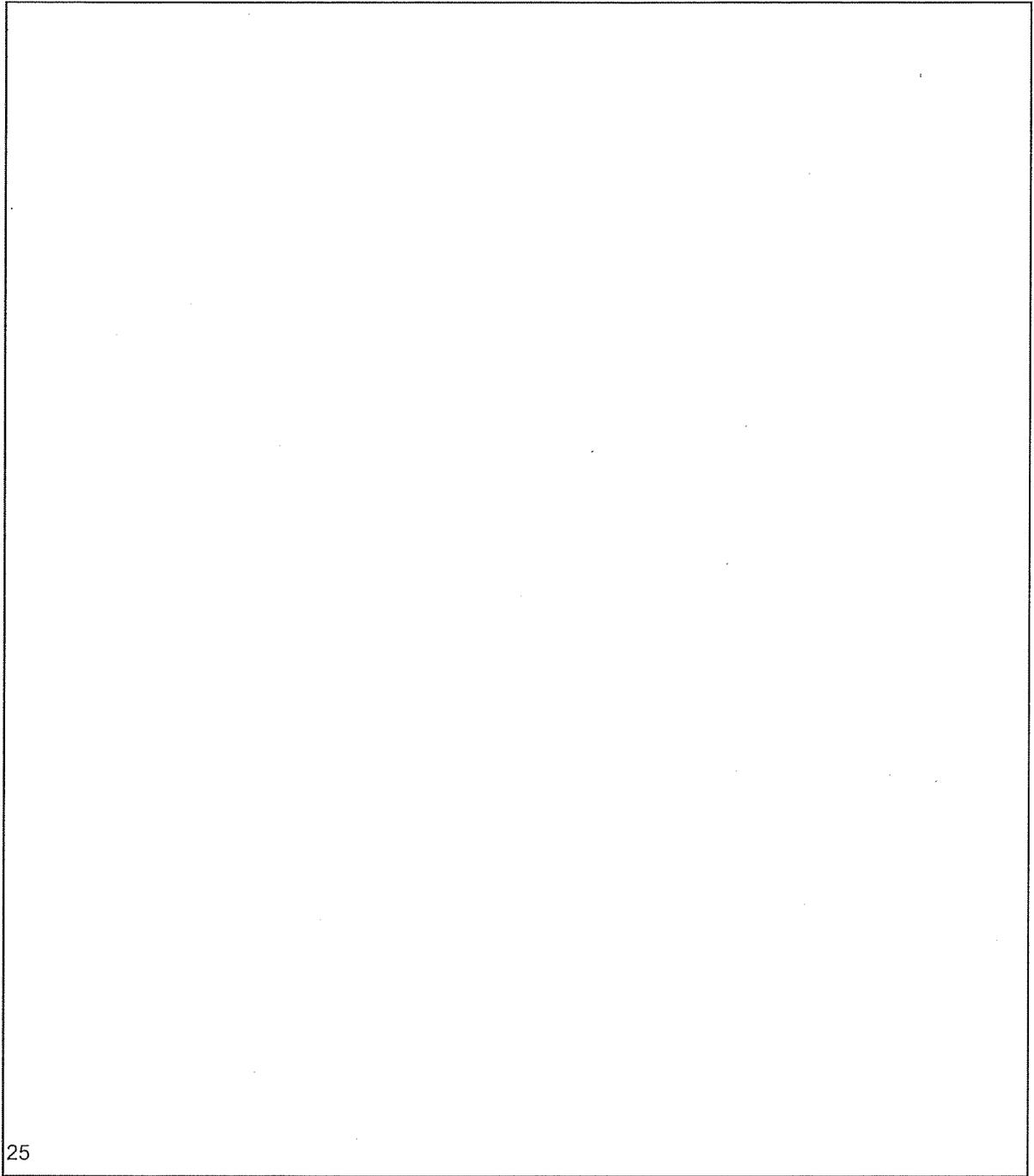
Not Applicable

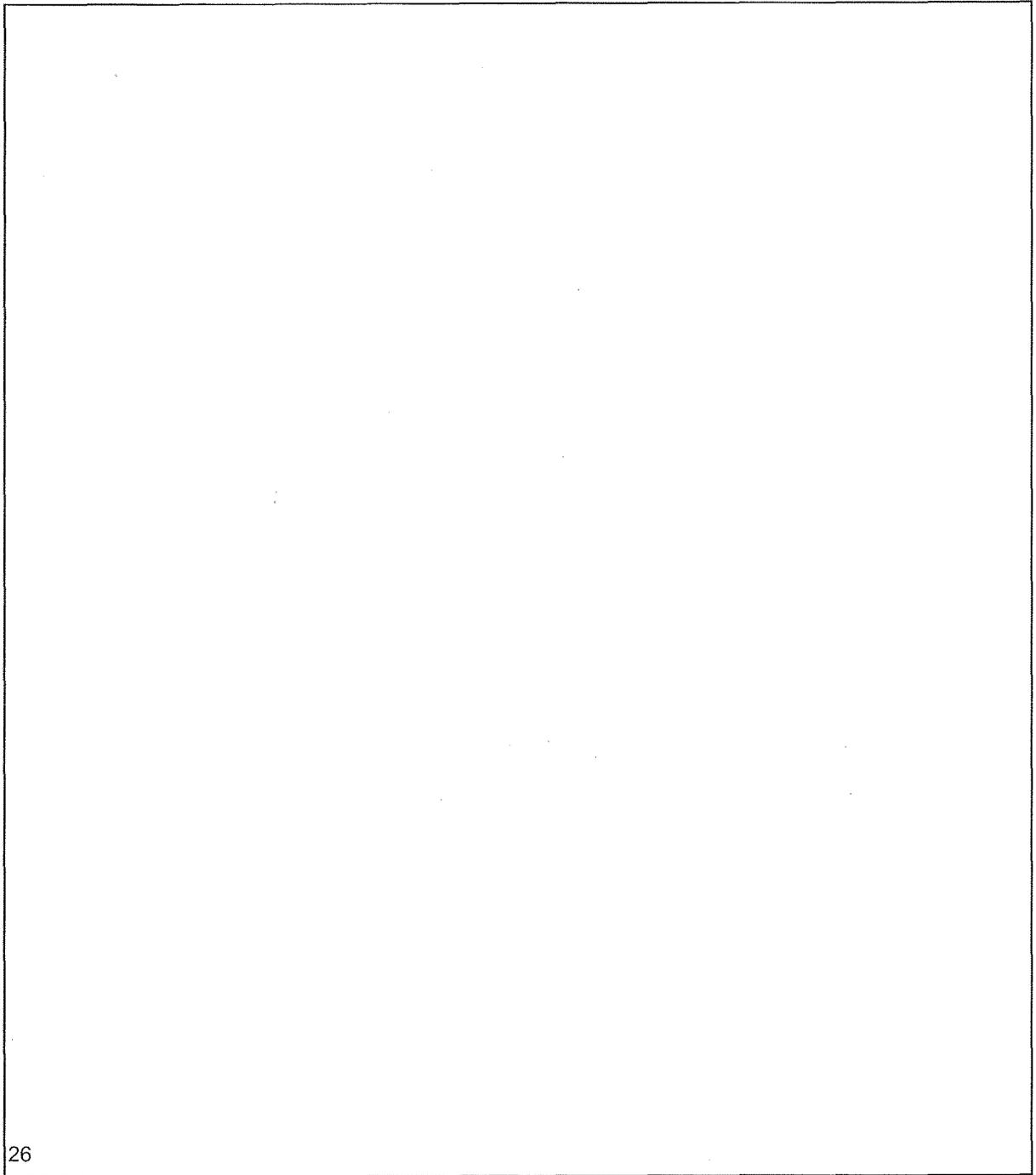


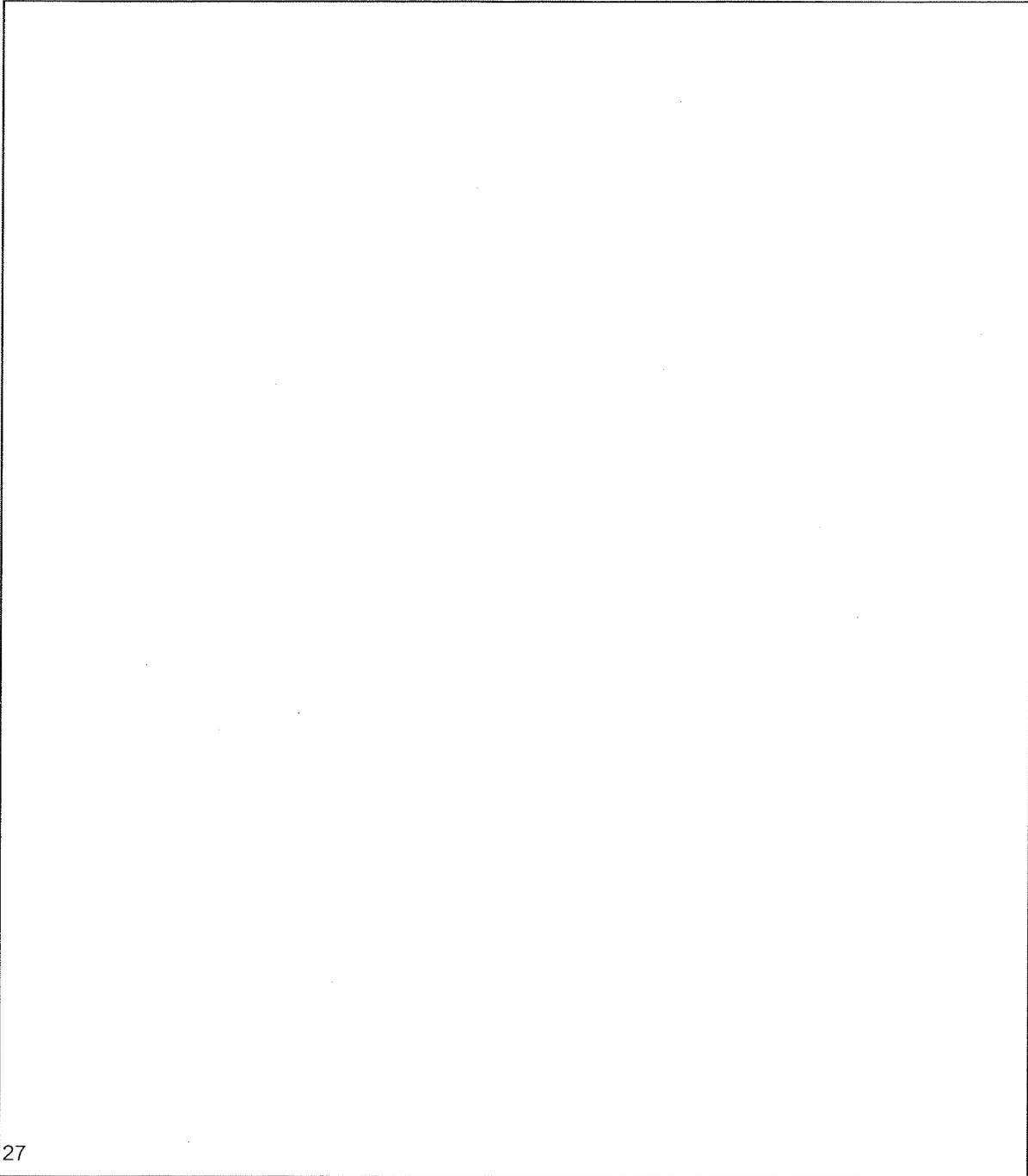


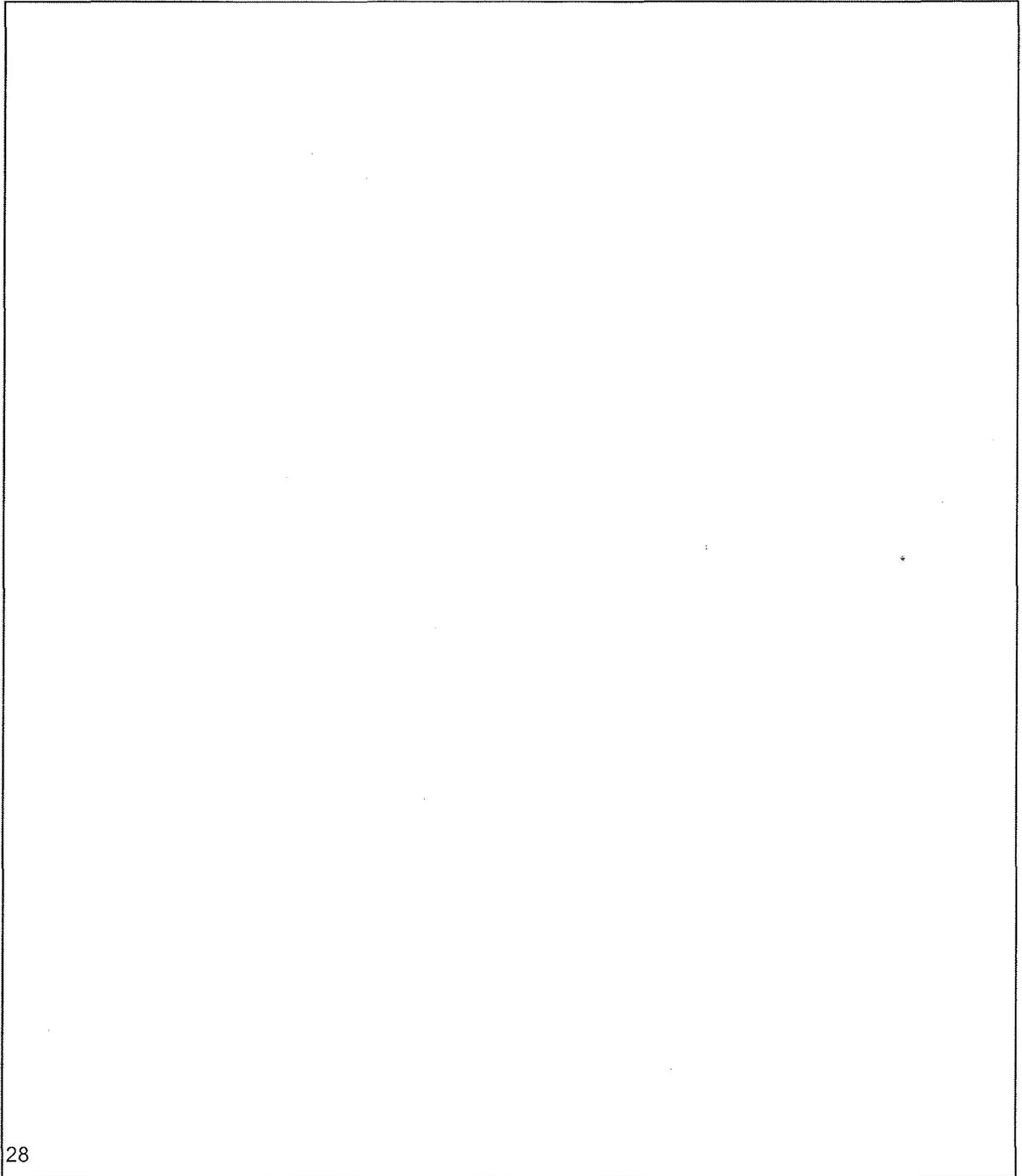












Name of Offeree

Memorandum Number

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

DIVERSIFIED ENERGY GROUP, INC., a Delaware Corporation
("Diversified Energy Group")
758 N. US Highway One
Tequesta, Florida 33479

A maximum of 800 Bonds
Offering Price: \$10,000 per Bond
\$8,000,000 Maximum Offering
No Minimum Offering

The Offering is available to Accredited Investors only

Diversified Energy Group, Inc. is offering up to \$8,000,000 of Series 2012A 10.20% \$10,000 Corporate Bonds (the "Bonds"). For purposes of this offering, the Bonds are referred to as the "Bonds." (See "Terms of the Offering" and "Description of Securities.")

THIS PRIVATE PLACEMENT MEMORANDUM ("MEMORANDUM") IS BEING PROVIDED TO THE OFFEREE SOLELY FOR THE PURPOSE OF THE OFFEREE'S EVALUATION OF AN INVESTMENT IN DIVERSIFIED ENERGY GROUP, INC. THIS MEMORANDUM MAY NOT BE REPRODUCED OR DISTRIBUTED.

THESE SECURITIES INVOLVE RISK AND THEREFORE ARE SUITABLE ONLY FOR CERTAIN INVESTORS. (See "Risk Factors" and "Suitability Standards")

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES REGULATORY AUTHORITY, NOR HAS THE COMMISSION OR ANY SUCH AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Investors (1)	Proceeds to Company(2)
Per Bond	\$10,000	\$9,000
Total Maximum	\$8,000,000	\$7,200,000

(1) The Bonds are being offered by the Company on a "No Minimum, best efforts" basis. All proceeds from the sale of the Bonds being offered will be deposited in the Company's general account with Regions Bank. The Company, in its sole discretion, reserves the right to extend the Offering for an additional 90 days upon amendment of this Memorandum. Upon receipt of cleared funds for the purchase of Bonds, the Bonds will be issued and the proceeds of such sales will be distributed to the Company.

(2) The proceeds are stated before deduction of expenses related to the preparation of the offering which the Company will pay. These expenses, as presently estimated, are not expected to exceed \$10,000, and include the Company's legal and accounting fees, filing fees, and printing costs. (See "Use of Proceeds" and "Plan of Distribution.")

(3) The offer and sale of the Bonds offered hereby will be conducted by the officers and/or directors of the Company. The Company's officers and/or directors will not be registered brokers or dealers pursuant to Rule 3(a)4-1. In addition, commissions may be paid in connection with the sale of the Bonds to registered securities broker/dealers.

THE DATE OF THIS MEMORANDUM IS OCTOBER 6, 2011

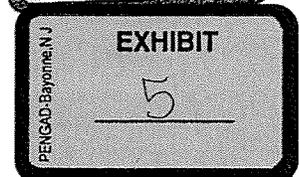
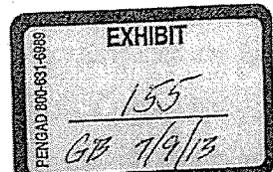


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INTRODUCTION

Investment in the Bonds involves a risk of loss of principal and lack of liquidity, and therefore requires the financial ability and willingness to bear such risks. See "Risk Factors." These securities are speculative and should only be purchased by persons who can afford to lose their entire investment.

In making an investment decision, investors must rely on their own examination of this offering, including the merits and risks involved in this investment, as described in this Memorandum. These securities have not been approved or disapproved by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

The securities offered hereby are subject to restrictions on transferability and resale and may not be transferred or sold except as permitted under the Securities Act of 1933, as amended (the "Securities Act"), and the applicable state securities laws, pursuant to registration or exemption therefrom.

The securities offered hereby will be offered in a transaction not involving a public offering in reliance upon the exemption from registration afforded by Section 4(2) of the Securities Act or Regulation D promulgated thereunder, and may only be offered and sold to investors who meet the standards for investment set forth in this Memorandum under "Investor Suitability Standards."

This Memorandum does not constitute an offer or solicitation by or to anyone in any jurisdiction in which such an offer or solicitation would be unlawful. In addition, this Memorandum constitutes an offer only if the offeree's name has been inserted in the "Name of Offeree" space on the cover page. In such event, this Memorandum is an offer only to the person named, and remains subject to ultimate acceptance of subscriber by Diversified Energy Group.

Diversified Energy Group reserves the right to withdraw, cancel or modify the offering and to reject subscriptions in whole or in part for the purchase of any of the Bonds offered.

Information contained in this Memorandum has been obtained from management of Diversified Energy Group and from other sources deemed reliable by management. Such information necessarily incorporates significant assumptions as to factual and other matters. Each investor should make his or her own independent examination and evaluation of the information and documents included in this Memorandum.

THE STATEMENTS CONTAINED HEREIN ARE BASED ON INFORMATION BELIEVED BY THE COMPANY TO BE RELIABLE. NO WARRANTY CAN BE MADE THAT CIRCUMSTANCES HAVE NOT CHANGED SINCE THE DATE SUCH INFORMATION WAS SUPPLIED. This Memorandum contains a brief summary of the material terms of certain documents. The description of the documents summarized in this Memorandum should not be relied upon by any investor without a complete reading of all of such documents and a full understanding of their contents. All documents relating to the investment in the Bonds (and any additional information in connection with this offering that is available or can be obtained without

unreasonable expense) will be made available to the offeree named on the cover of this memorandum or to the offeree's representatives, if any, upon request.

Management of Diversified Energy Group will be available to the offeree or the offeree's representatives during the offering period to provide answers to questions concerning this offering. Diversified Energy Group has not authorized, and offerees should not rely upon: (a) any representations (whether oral or written) other than those set forth in this Memorandum and the exhibits hereto or (b) any additional information (whether oral or written) except that contained in documents prepared by Diversified Energy Group and delivered to the offeree by Diversified Energy Group prior to the acceptance of an offeree's subscription. Prospective investors are encouraged to ask questions of management and conduct their own due diligence.

The Company is represented by Robert C. Hackney of Hackney Law, P.A., 1061 E. Indiantown Road, Suite 400, Jupiter, Florida 33477. The contents of this document are based upon information submitted to Mr. Hackney by Management and representations made by Management of the Company; however neither Mr. Hackney or his firm, Hackney Law, P.A., have undertaken to investigate the Company, its principals, or their representations, including, but not limited to, either the historical and current industry information or the projected financial information relating to the Company. Accordingly, neither Mr. Hackney nor his firm take any position with regard to the quality of the disclosures or the accuracy or adequacy of such disclosures and disclaim any knowledge as to the viability of the Company or the possibility of success or non-success of the Company's operations or proposed operations.

Prospective investors should not construe the contents of this Memorandum as individual legal, tax or investment advice. Each investor should consult the investor's own counsel, accountant or business advisers as to legal, tax and related matters concerning this investment.

The recipient, by accepting delivery of this Memorandum, agrees that he or she will not disclose any of its contents to anyone other than such person's professional advisors or reproduce this Memorandum, in whole or in part, without the prior written consent of Diversified Energy Group, and that the recipient will promptly return it and all related documents to Diversified Energy Group if the recipient does not purchase any Bonds. The recipient acknowledges that Diversified Energy Group could be irreparably harmed if the contents of this Memorandum or any other confidential information were disclosed to third parties.

Contact Information

**DAVID B. HAVANICH, JR, PRESIDENT
DIVERSIFIED ENERGY GROUP, INC.**

758 N. US Highway One
Tequesta, Florida 33469
561.804.6777

E-mail: dhavanich@degoil.com

Notices Required By State Law

For Florida residents: The Bonds referred to in this Memorandum will be sold to, and acquired by, investors in a transaction exempt under Section 517.061 of the Florida Securities Act. The Bonds have not been registered under said act in the State of Florida. Florida residents have the privilege of voiding the purchase within three (3) days after the first tender of consideration is made by such subscriber to Diversified Energy Group or within three (3) days after the availability of that privilege is communicated to such subscriber, whichever occurs later. To accomplish this withdrawal, it is sufficient for the subscriber to send a letter or telegram within such three (3) day period to Diversified Energy Group indicating his or her intention to withdraw. The letter or telegram must be sent and postmarked prior to the end of the aforementioned third day. If the subscriber sends a letter, it is prudent to send it by certified mail, return receipt requested, to ensure that it is received and also to evidence the time when it was mailed.

As required by Section 517.061(11)(a)3, Florida Statutes, prospective investors and their purchaser representatives, if any, may have, at the offices of the company at any reasonable hour, after reasonable prior notice, access to the materials set forth in the statute and the applicable rules, any other materials relating to the company, the offering described in this Memorandum or anything set forth in this Memorandum which the company can obtain without unreasonable effort or expense. No person is authorized to make any representation which is not in conformity with the information contained herein and any such representations shall not be relied upon.

For residents of all states: The Bonds have not been registered under the Securities Act of 1933, as amended, or the securities laws of certain states and are being offered and sold in reliance of exemptions from the registration requirements of said act and such laws. The interests are subject in various states to restrictions on transferability and resale and may not be transferred or resold except as permitted under said act and such laws pursuant to registration or exemption therefor. The Bonds have not been approved or disapproved by the Securities and Exchange Commission, and any state securities commission or other regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of the offering. Any representation to the contrary is unlawful.

INVESTOR SUITABILITY STANDARDS

Bonds will only be sold to prospective investors if such investor is an accredited investor pursuant to the provisions of Regulation D promulgated under the Securities Act as amended. Regulation D defines an "Accredited Investor" as any natural person who (a) has an individual net worth or joint net worth with that person's spouse at the time of purchase in excess of \$1,000,000, or (b) has an individual income in excess of \$200,000 in each of the two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and (c) has a reasonable expectation of reaching the same income level in the current year.

The Company reserves the right to modify or extend the suitability requirements for potential investors in order for the offering to comply with the requirements of all applicable State Acts. Subscribers who are residents of certain states may be required to meet state law suitability standards. In addition, subscribers may be required to meet other suitability standards to insure compliance with other federal securities laws, such as the Investment Advisors Act of 1940, as amended. The acceptance of a subscription for Bonds by Diversified Energy Group does not constitute a determination by Diversified Energy Group that an investment in the Bonds is suitable for a prospective investor.

TERMS OF THE OFFERING

By executing the Subscription Agreement, each investor is thereby agreeing to all the terms and conditions of the Offering, and is making certain representations and warranties to the Company which will be relied upon by the Company, including representations as to each investor's investment intent. In particular, each investor is being asked to represent and warrant to the Company that each investor is an "accredited investor" as defined in the Subscription Agreement.

Sale of the Bonds. The Company is offering up to \$8,000,000 of Series 2012A 10.20% \$10,000 Corporate Bonds (the "Bonds"). The offering is being made on a "no-minimum, best efforts basis." The offering terminates on December 31, 2012 subject to an extension at the discretion of The Company (the "Termination Date").

Bond Features.

The Bonds mature in thirteen months.

The Bonds will be issued in increments of \$10,000. The aggregate amount offered will be \$8 million in Bonds.

Interest on the bonds will accrue at the rate of 10.20% per annum, and be paid on a quarterly basis. The yield will be 10.20% per annum, which is described in the form of the Bond attached hereto. Bond principal, along with the thirteenth month of interest will be paid at maturity.

Selling and Other Offering Expenses The Company may pay participating broker/dealers (if any) a fee of up to 10%. No broker/dealers have been identified as of the date of this Memorandum.

Subscription and Payment for Bonds. A person desiring to subscribe for the Bonds offered hereby must complete and return copies of the Subscription Agreement.

Subscribers should deliver to the Company at its principal offices located at 758 N. US Highway One, Tequesta, FL 33469, the Subscription Agreement, together with the sum of \$10,000 per Bond payable to Diversified Energy Group, Inc.

Acceptance or Rejection of Subscriptions; No Escrow. Each properly completed and tendered subscription will be irrevocable, unless rejected by The Company. Upon receipt of the executed Subscription Agreement, its terms and conditions shall bind the subscriber. The Company reserves the right to reject any subscription in whole or in part. In the event that The Company rejects all or any portion of a requested subscription for any reason, in its sole discretion, a full refund, without deduction or interest will be made by The Company. After such refund has been made, the Company and its directors, officers, agents, partners and employees will have no further liability to any prospective investor with respect to a rejected or canceled subscription. As subscriptions are accepted with respect to the sale of Bonds, the related subscription proceeds will be immediately available for use by the Company without impound or escrow.

Subscriptions will be accepted until 5:00 p.m., local time, on December 31, 2012, (the "Expiration Date"). Diversified Energy Group may declare the offering closed without notice to the subscribers, and may terminate the offering at any time at its discretion. Diversified Energy Group reserves the right to extend the Expiration Date for a period of up to ninety (90) days without notice to or approval from the subscribers.

USE OF PROCEEDS

Diversified Energy Group requires the net proceeds of the offering to further develop its expanding business model including continued acquisition of producing oil & gas properties, hedging the company's oil and gas portfolio in the energy markets, adaptable technologies, strategic real estate acquisitions and other general corporate purposes. The Company does not anticipate allocating more than ten percent of the offering to strategic real estate acquisitions, but believes that situations may arise that present substantial opportunities for the Company in the present market environment. A portion of the funds may also be used to retire debt.

RISK FACTORS

When used in this Memorandum, the words "forecasts," "estimates," "projections" and other similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, including those discussed below under the heading "Risk Factors," that could cause actual results to differ materially from those projected. No representation, assurance or guarantee can be or is made as to the actual results that may occur. The Company undertakes no obligation to publicly release the result of any revisions to any such forward-looking statements which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

The Bonds we are offering involve risk. In analyzing the offering, you should carefully consider, among other factors, the following risk factors:

Risks Related to Our Business

Our ability to succeed may be hampered by unforeseen expenses, difficulties, complications and delays frequently encountered in connection with the operations of a development stage business, particularly companies in oil & gas and the alternative energy markets.

An investment in the Company involves risk and is suitable only for persons of adequate financial means. There can be no assurances or guarantees that the Company's investment objectives will prove successful.

You should consider the Company as a supplement to an overall investment program and should only invest if you are willing to undertake the risks involved. You should therefore bear in mind the following risk factors and conflicts of interest (which is not an exhaustive list) before the purchasing of securities:

Company Risks

Our operating history makes it difficult to predict future results and increases the risk of your investment.

As a development stage company, we face all the risks common to similarly situated companies, including uncertainty of funding sources, high initial expenditure levels and uncertain revenue streams, an unproven business model, and difficulties in managing growth. Our prospects must be considered in light of the risks, expenses, delays and difficulties frequently encountered in operating a development stage business. Any forward-looking statements in this Memorandum do not reflect any possible effect on us from the outcome of these types of uncertainty. We cannot assure you that we will be successful. We cannot assure you that our intended plans will lead to the successful development of crude oil and natural gas production or additional revenue.

Hedging Transactions

The Company holds substantial funds in its hedging accounts and utilizes financial instruments such as forward contracts, options and caps and floors to seek to hedge against fluctuations in the relative values of its portfolio positions, certain changes in the equity markets, and oil and gas markets. Hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio position's value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio positions should increase. Moreover, it may not be possible for the Company to hedge against a fluctuation at a price sufficient to protect the Company's assets from the decline in value of the portfolio positions anticipated as a result of such fluctuations. For example, the cost of options is related, in part, to the degree of volatility of the underlying commodity. Although the use of hedging transactions is designed to reduce risk, the use of hedging transactions such as options and forward contracts does not eliminate risk, and due to unforeseen occurrences, can result in substantial losses. Management is not obligated to establish hedges for portfolio positions and may not do so, although historically the Company has employed such a strategy.

If we lose key personnel upon whom we are dependent, we may not be able to manage our operations and meet our strategic objectives.

Many key responsibilities of our business have been assigned to a relatively small number of individuals. Our future success depends to a considerable degree on the vision, skill, experience and effort of our senior management team, including David B. Havanich, Jr., Carmine A. DellaSala, and Matthew D. Welch. We do not maintain key-person insurance on any of these individuals. Any loss or interruption of the services of any of our key employees could significantly reduce our ability to effectively manage our operations and implement our strategy.

We are subject to substantial operating risks that may adversely affect our results of operations.

The crude oil and natural gas business involves numerous operating hazards such as well blowouts, mechanical failures, explosions, uncontrollable flows of crude oil, natural gas or well fluids, fires, formations with abnormal pressures, hurricanes, flooding, pollution, releases of toxic gas and other environmental hazards and risks. We could suffer substantial losses as a result of any of these events. While we will seek to invest with Operators who carry general liability, control of well, and operator's extra expense coverage typical in our industry, the Operators and consequently, we, may not be fully insured against all risks incident to our business.

We do not presently intend to be the Operator of our wells. As a result, our operating risks for wells and our ability to influence the operations for these wells will not be subject to our control. Operators of these wells may act in ways that are not in our best interests. If this occurs, the development of, and production of crude oil and natural gas from wells may not occur which would have an adverse effect on our results of operations.

We may have difficulty managing future growth in our oil and gas sector and the related demands on our resources and may have difficulty in achieving future growth.

We hope to experience rapid growth through acquisitions of leases, properties, working, mineral and/or royalty interests. Any future growth may place a significant strain on our financial, technical, operational and administrative resources. Our ability to grow will depend upon a number of factors, including our ability to identify and acquire new acquisition prospects; the ability of the Operators to develop existing properties; our ability to continue to retain and attract skilled personnel; the results of our acquisition efforts; hydrocarbon prices; and our access to capital.

We may face strong competition from larger energy companies.

On the oil and gas side, it is possible that our competitors in the future could include large integrated crude oil and natural gas companies and numerous independent crude oil and natural gas companies, individuals and drilling and income programs. At the present time, the larger oil and gas companies are not competing to obtain the types of projects that the Company is focused on for investment. In the alternative energy sector, our competitors in the future could be large public and private companies that are more established than the Company. While our competitors are presently not large, well-established companies with substantially larger operating staffs and greater capital resources

than we have, such companies could compete against us in the future. In the event of such competition, those companies may be able to expend greater resources on the existing and changing technologies than the Operators of our projects, and we believe new technologies will be increasingly important to attaining success in our industry. In the alternative energy sector, many of our competitors have substantial research and development budgets, government contracts, and government grants.

Re-completion of wells involves numerous risks and substantial and uncertain costs.

The cost of re-working, completing and operating wells is substantial and uncertain, and drilling operations may be curtailed, delayed or cancelled as a result of a variety of factors beyond our control or the control of the Operators, including, but not limited to, unexpected drilling conditions; pressure or irregularities in formations; equipment failures or accidents; inability to obtain leases on economic terms, where applicable; adverse weather conditions; compliance with governmental requirements; and shortages or delays in the availability of drilling rigs or crews and the delivery of equipment.

Operating Deficits

The expenses of operating the Company may exceed its income, thereby requiring that the difference be paid out of the Company's capital, reducing the Company's investments and potential for profitability.

Investment Expenses

Investments in energy properties typically require costly due diligence investigations, such as seismic and geological surveys. The Company may be obligated to contribute to the ongoing expenses incurred by its portfolio of oil and gas properties. The Company will bear these costs regardless of its profitability.

Investment Regulation

At the present time, we believe we are exempt from the Investment Company Act of 1940 and the corresponding Florida statute by relying on certain exemptions. The Company intends on maintaining its exempt status, however, there is no guarantee it will do so. The exemptions may be modified and/or abolished by government agencies responsible for rule making, though we are not aware of any attempts to do so. In the event that the Company loses its exempt status, the Company plans on correcting the problem either by modifying the corporate structure or by applying for the appropriate licenses.

Broad Discretionary Power to Choose Investments and Strategies

Management will have broad discretionary power to decide what investments the Company will make and what strategies it will use. While management currently intends to use the strategies described in this offering it is not obligated to do so, and it may choose any other investments and strategies that it believes are advisable.

Risks Related to Our Industry

Global Credit Crisis and Recession

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the deterioration of global economic conditions, have caused significant volatility to and reductions in commodity prices. These conditions have continued since 2008, causing a loss of confidence in the broader U.S. and global credit and financial markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, restricted access to debt or equity financing, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted the Company's valuations and will impact the performance of the global economy going forward.

The current global credit crisis and recession has prices expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing global credit and liquidity concerns.

Volatility

The profitability of the Company substantially depends upon management correctly assessing the production capabilities of its energy projects as well as the value and future price movements of its underlying commodities.

Reserves and Resources Estimates

There are numerous uncertainties inherent in estimating quantities of proved, probable and possible reserves and prospective reserves and cash flows to be derived from reserves, including many factors beyond the control of the Company. The reserves, resources and cash flow information set forth in this Memorandum represent estimates only.

Crude oil and natural gas prices are highly volatile in general and low prices will negatively affect our financial results.

Our revenues, profitability, cash flow, future growth and ability to borrow funds or obtain additional capital, as well as the carrying value of our properties, are substantially dependent upon prevailing prices of crude oil and natural gas. Substantially lower crude oil and natural gas prices may reduce the amount of crude oil and natural gas that can be produced economically from our properties. Historically, the markets for crude oil and natural gas have been very volatile, and such markets are likely to continue to be volatile in the future. Prices for crude oil and natural gas are subject to wide fluctuation in response to relatively minor changes in the supply of and demand for crude oil and natural gas, market uncertainty and a variety of additional factors that are beyond our control, including the level of consumer product demand; weather conditions; domestic and foreign governmental regulations; the price and availability of alternative fuels; political conditions; the foreign supply of crude oil and natural gas; and the price of foreign imports and overall economic conditions.

It is impossible to predict future crude oil and natural gas price movements. Declines in crude oil and natural gas prices may materially adversely affect our financial condition, liquidity, and results of operations.

Government regulation and liability for environmental matters may adversely affect our business and results of operations.

Crude oil and natural gas operations are subject to extensive federal, state and local government regulations, which may be changed from time to time. Matters subject to regulation include discharge permits for drilling operations, drilling bonds, reports concerning operations, the spacing of wells, unitization and pooling of properties and taxation. From time to time, regulatory agencies have imposed price controls and limitations on production by restricting the rate of flow of crude oil and natural gas wells below actual production capacity in order to conserve supplies of crude oil and natural gas. There are federal, state and local laws and regulations primarily relating to protection of human health and the environment applicable to the development, production, handling, storage, transportation and disposal of crude oil and natural gas, by-products thereof and other substances and materials produced or used in connection with crude oil and natural gas operations. In addition, we may inherit liability for environmental damages caused by previous owners of property we purchase or lease. As a result, we may incur substantial liabilities to third parties or governmental entities. We are also subject to changing and extensive tax laws, the effects of which cannot be predicted. The implementation of new, or the modification of existing, laws or regulations could have a material adverse effect on us.

Terrorism

On September 11, 2001, the United States was the target of terrorist attacks of unprecedented scope, and the United States and others instituted military action in response. These conditions caused instability in world financial markets and generated global economic instability. The continued threat of terrorism, the impact of military and other action, including U.S. military operations in Iraq and Afghanistan and the geopolitical conditions in the Middle East generally may lead to continued volatility in prices for crude oil and natural gas and could affect the markets for the Company's production. In addition, future acts of terrorism could be directed against companies operating in the United States. Further, the U.S. government has issued public warnings that indicate that energy assets might be specific targets of terrorist organizations.

Risks Related to This Offering

The Corporate Bonds are unsecured liabilities of the Company.

The Bonds are effectively subordinated to any secured debt that the Company may incur. While the Company presently has no secured debt, and presently has no plans to incur secured debt, it is possible that secured debt could be incurred in the future. In any liquidation, dissolution, bankruptcy or other similar proceeding, the holders of any of the Company's secured debt (if any) may assert rights against the secured assets in order to receive full payment of their debt before the assets may be used to pay the holders of the Bonds. As of the date of this Memorandum the Company had no secured debt outstanding.

Broad Discretion in Use of Proceeds

The net proceeds of the offering will be added to our working capital and will be available for general corporate purposes, including capital expenditures. As of the date of these Risk Factors, we cannot specify with certainty the particular uses for the net proceeds to be received upon completion of the offering. Accordingly, our management will have broad discretion in the application of the net proceeds.

BUSINESS PLAN

The Company has prepared a Business Plan which provides information about the industry, the Company's Management, and the Company's present plan of operation. The Company has made investments in wells in Texas, Oklahoma, New Mexico, Mississippi and Louisiana which are more specifically described in the Business Plan. The Business Plan is attached to this Memorandum as Exhibit B, and is incorporated in this Memorandum by reference.

Certain sections of the Business Plan contain forward-looking statements that are based on management's expectations, estimates, projections and assumptions. Words such as "expects," "anticipates," "plans," "believes," "scheduled," "estimates" and variations of these words and similar expressions are intended to identify forward-looking statements. Forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. These statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Therefore, actual future results and trends may differ materially from what is forecast in forward-looking statements due to a variety of factors, many of which are contained in the section of this Memorandum entitled "Risk Factors."

All forward-looking statements speak only as of the date of this Memorandum or, in the case of any document incorporated by reference, the date of that document. All subsequent written and oral forward-looking statements attributable to the Company or any person acting on the company's behalf are qualified by the cautionary statements in this section. The company does not undertake any obligation to update or publicly release any revisions to forward-looking statements to reflect events, circumstances or changes in expectations after the date of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE FINANCIAL AND OPERATING RESULTS

Management's discussion and analysis ("MD&A") of the financial and operating results of Diversified Energy Group, Inc. ("DEG" together with its subsidiaries the "Company") is prepared as of October 6, 2011. Unless otherwise stated herein, all dollar amounts are expressed in US dollars ("USD").

Overview

DEG is a Florida based energy company that works with oil and gas industry partners to develop, discover and acquire domestic oil and gas reserves in the United States. Through diversified energy investments the Company's mission is to help reduce our country's dependence on importation of foreign oil.

Operations Overview

The Company owns interests in oil and gas producing property and other energy related investments, along with real property, and derives its revenue from oil and gas production, hedge account income, cattle ownership and sale, and rental and consulting fees. The Company's holdings and revenue streams, and its industry oil and gas partners are more fully described in the Company Business Plan, which is incorporated herein.

Operations and Financial Condition

Total assets of the Company were \$9,638,494 as of October 6, 2011, including total estimated oil and gas reserves of all properties of \$6,057,259. As of October 6, 2011, the Company had total outstanding debt of \$7,230,991, as a result of the issuance of corporate bonds. The Company has no secured debt. The Company has secured ownership of approximately 242 head of cattle with a current value of approximately \$106,000, a hedging position of \$1,876,025.59, real property used as its corporate office, which was acquired in 2010, for a total cost including build-out of \$243,131 and Management believes it is presently valued at approximately \$285,000, with an additional rental property valued at approximately \$265,000. The cattle and real properties are owned by two wholly-owned subsidiaries, Integrated EcoSystems and DEG Holdings, LLC respectively. These assets are unencumbered.

On November 10, 2010, the commencement date of DEG's previous offering, the Company had total assets of \$8,204,788, including total estimated oil and gas reserves of all properties of \$5,162,158. Assets as of October 6, 2011 had increased by 17%, with total estimated oil and gas reserves also increasing 17% from the previous period.

During the period from November 10, 2010 to October 6, 2011, the Company incurred general and administrative expenses of \$1,372,913 and interest expense payments to bondholders of \$564,086. Net income for the period was (\$308,993) due to losses in the hedging account. Economic conditions related to the downgrade of US debt by Standard & Poor's caused substantial market volatility resulting in losses. Between November 10, 2010 and July 2011, the Company spent \$247,547 on a stock buyback program.

Interests in the following oil and gas wells was acquired within the last 12 months, representing a portion of the overall portfolio, as more fully described in the Company's Business Plan:

- Bade 1-15 in Texas
- Bade 2-15 in Texas
- Bade 3-15 in Texas
- Bade 4-15 in Texas
- Bade 5-15 in Texas
- Bell 1-8 in Oklahoma
- Bourne 18-7 in Mississippi
- Burnt Orange #3 in Texas
- Duhon #1 in Louisiana
- Duhon #2 in Louisiana
- Duhon #3 in Louisiana
- Duhon #4 in Louisiana
- Earl Estate #2 in Texas

Fanta 1 in Texas
Gunther 1-31 in Oklahoma
Lucille Gumm 1 in Texas
Marbet 43 in Oklahoma
Marbet 58 in Oklahoma
Marbet 65 in Oklahoma
McLA Minerals in Louisiana
Newell 12-2 #2D in Texas
Newell G-5 #1D in Texas
Newell G-5 #2D in Texas
State Tract 100 #1 in Texas
State Tract 199 #1 in Texas
Sunkist 1 in Texas
Tijerina Raul Unit A1 in Texas
Warren 1-14 in Oklahoma
Welliver #1H in Texas
Welliver #2H in Texas
Welliver #3H in Texas
Welliver #4H in Texas
Welliver #5H in Texas
Welliver #6H in Texas
Welliver #7H in Texas
Wren 10-13-13 H #1 in Louisiana

Liquidity and Capital Resources

Cash on hand at October 6, 2011 totaled \$232,125, not including a Hedge Account balance of \$1,876,025.

Financial Instruments

The Company's financial instruments consist of cash, cash equivalents, short term investments, accounts receivable, accounts payable and accrued expenses. Cash, cash equivalents and short term investments are designated as held for trading and are therefore carried at fair value, with unrealized gains or losses recorded in interest income. The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk on its cash and cash equivalents and accounts receivable. Accounts receivable are primarily from joint venture partners in the oil and gas industry and are subject to normal industry credit risks.

Liquidity Risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, as far as possible, that

it will have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risk harm to the Company's reputation.

Market Risk

Market risk is the risk that changes in market prices, such as commodity prices and interest rates, will affect the Company's net earnings or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns. The significant market risk exposures to which the Company is exposed are commodity price and interest rate risks.

Commodity price risk – The prices that the Company may receive for its crude oil and natural gas production may have a significant impact on its revenue and cash inflows from operating activities. Any significant price decline in commodity prices would adversely affect the amount of funds available for capital reinvestment purposes. At this time the Company does use derivative financial instruments to manage its exposure to this risk.

Interest rate risk – The Company's bank accounts earn interest income at variable rates. The Company's future interest income is exposed to changes in short- term rates.

Uncertainty of Title

Although the Company conducts title reviews prior to acquiring an interest in a property, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise that may call into question the Company's interest in the production sharing contracts.

Forward Looking Statements

This MD&A contains forward-looking statements. These statements relate to future events or future performance of the Company. When used in this MD&A, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "predict", "seek", "propose", "expect", "potential", "continue", and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Such statements reflect the Company's current views with respect to certain events, and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance, or achievements to vary from those described in this MD&A. Should one or more of these risks or uncertainties materialize, or should assumptions underlying forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated, or expected.

The Company's forward looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made and the Company assumes no obligation to update such forward looking statements in the future. For the reasons set forth above, investors should not place undue reliance on forward looking statements.

General economic conditions, whether internationally, nationally or in the regional and local market areas in which we do business, may be less favorable than expected, including the possibility that

the economic conditions in the United States will worsen and that capital markets are disrupted, which could adversely affect demand for oil and natural gas and make it difficult to access financial markets

Specific forward-looking statements in this MD&A, among others, include statements pertaining to the following:

- factors upon which the Company will decide whether or not to undertake a specific course of action;
- world-wide supply and demand for petroleum products;
- expectations regarding the Company's ability to raise capital;
- treatment under governmental regulatory regimes; and
- commodity prices.

With respect to forward-looking statements in this MD&A, the Company has made assumptions, regarding, among other things:

- the impact of increasing competition;
- the ability of farm-out partners to satisfy their obligations;
- the Company's ability to obtain additional financing on satisfactory terms; and
- the Company's ability to attract and retain qualified personnel.

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A:

- general economic conditions;
- volatility in global market prices for oil and natural gas;
- competition;
- liabilities and risks, including environmental liability and risks, inherent in oil and gas operations;
- the availability of capital; and
- alternatives to and changing demand for petroleum products.

Furthermore, statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitable in the future.

The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. These statements apply only as of the date of this MD&A.

Management's Responsibility for MD&A

The information provided in this MD&A is the responsibility of management. In the preparation of this MD&A, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in this MD&A.

Additional financial information is available on a confidential basis upon request.

SUBSCRIPTION PROCEDURE

Set forth below is a list of documents required to complete the purchase of Bonds (the "Bonds") of Diversified Energy Group, a Delaware Corporation ("Diversified Energy Group"), (see "TERMS OF THE OFFERING") together with instructions for completion.

A. Confidential Purchaser Questionnaire

The Confidential Purchaser Questionnaire on pages 19-22 must be completed with all information requested and signed by the Purchaser on page 23.

B. Subscription Agreement

The Subscription Agreement must be completed and signed by the Purchaser on Pages 30&31.

C. Payment for the Bonds

A check or wire transfer, payable to "Diversified Energy Group" in the amount equal to the dollar amount of the original principal amount of the Bonds for which the Purchaser subscribes as set forth on the signature page to the Subscription Agreement must accompany the foregoing completed materials, unless the Purchaser arranges with Diversified Energy Group to wire transfer immediately available funds for the subscription price.

D. Delivery

Copies of all signed documents, together with the applicable cash payment, are to be delivered to Diversified Energy Group at the following address:

Diversified Energy Group, Inc.
758 N. US Highway One
Tequesta, Florida 33469

CONFIDENTIAL PURCHASER QUESTIONNAIRE

DIVERSIFIED ENERGY GROUP, INC.
("Diversified Energy Group")

This Confidential Purchaser Questionnaire is being given to each individual who has expressed an interest in purchasing Bonds of Diversified Energy Group, as described in the Subscription Agreement.

Your answers will at all times be kept strictly confidential. However, each individual who subscribes to purchase the Bonds hereby agrees that Diversified Energy Group may present this Confidential Purchaser Questionnaire to such parties as it deems appropriate to establish the availability under any federal or state securities laws of an exemption from registration of the private placement of the Bonds.

Please complete the Confidential Purchaser Questionnaire as thoroughly as possible and sign, date and return one copy to Diversified Energy Group.

1. Name (please print): _____
2. Present principal occupation: _____
3. Please describe your educational background by listing any colleges or graduate schools attended and degrees held.

4. Of your income from all sources in the last calendar year, approximately what percentage was derived from sources other than salary?
_____ %
5. Approximate Annual Income: _____
6. Approximate Net Worth: _____
7. Investment experience: Check the investments you have made or held in the last ten years:

- | | |
|--|--|
| <input type="checkbox"/> marketable securities | <input type="checkbox"/> restricted securities purchased in private placements |
| <input type="checkbox"/> tax shelter investments | <input type="checkbox"/> real estate or real estate securities |

8. Describe any other substantial experience in business or financial matters.

9. **Purchaser Representative Certification, if applicable**

Please check the appropriate box below.

Rather than relying on my own knowledge and experience, I am relying on the knowledge and experience of a Purchaser Representative in making an investment in the Bonds.

Yes No

If yes, you and your Purchaser Representative must complete, sign and return additional documentation, which we will provide to you under separate cover, in order to complete the Subscription Agreement.

CONFIDENTIAL JOINT-PURCHASER QUESTIONNAIRE, if applicable

1. Name (please print): _____
2. Present principal occupation: _____
3. Please describe your educational background by listing any colleges or graduate schools attended and degrees held.

4. Of your income from all sources in the last calendar year, approximately what percentage was derived from sources other than salary?

_____ %

5. Approximate Annual Income: _____

6. Approximate Net Worth: _____

7. Investment experience: Check the investments you have made or held in the last ten years:

- | | |
|--|--|
| <input type="checkbox"/> marketable securities | <input type="checkbox"/> restricted securities purchased in private placements |
| <input type="checkbox"/> tax shelter investments | <input type="checkbox"/> real estate or real estate securities |

8. Describe any other substantial experience in business or financial matters.

9. **Purchaser Representative Certification, if applicable**

Please check the appropriate box below.

Rather than relying on my own knowledge and experience, I am relying on the knowledge and experience of a Purchaser Representative in making an investment in the Bonds.

Yes No

If yes, you and your Purchaser Representative must complete, sign and return additional documentation, which we will provide to you under separate cover, in order to complete the Subscription Agreement.

CONFIDENTIAL ENTITY QUESTIONNAIRE (if applicable)

1. Entity Name (please print): _____
2. Type of entity: _____
3. Entity is duly formed and validly existing under the laws of the state of _____
4. The acquisition of securities does not violate applicable state law or charter/bylaws or any contract, agreement, covenant or other obligation or prohibition by which entity is bound.
Yes No
5. Signee is duly authorized to sign on behalf of the entity and all actions necessary to necessary to complete signee's authorization have been completed.
Yes No
6. Investment experience: Check the investments entity has made or held in the last ten years:
 marketable securities restricted securities purchased in private placements
 tax shelter investments real estate or real estate securities

DIVERSIFIED ENERGY GROUP, INC.

SUBSCRIPTION AGREEMENT

THE BONDS SUBSCRIBED FOR BY THIS SUBSCRIPTION AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY APPLICABLE STATE SECURITIES LAWS, AND TRANSFER OF THE BONDS IS RESTRICTED BY THE TERMS OF THIS SUBSCRIPTION AGREEMENT AND BY APPLICABLE LAW.

To: Diversified Energy Group, Inc.
758 N. US Highway One
Tequesta, Florida 33469

Gentlemen:

The undersigned, intending to be legally bound, hereby irrevocably subscribes for and agrees to purchase the number of Bonds (the "Bonds") set forth on the Signature Page attached hereto of Diversified Energy Group, Inc., a Delaware corporation ("Diversified Energy Group").

1. Terms of the Offering.

Diversified Energy Group is offering 700 Bonds, for a purchase price of \$10,000 per Bond.

2. Payment.

The undersigned is delivering herewith a cashier's check in the amount shown on the Signature Page hereto, payable to the order of Diversified Energy Group, or may make arrangements with Diversified Energy Group for the wire transfer of immediately available funds to Diversified Energy Group in an amount equal to the amount shown on the Signature Page hereto.

The undersigned understands that there will be no escrow agreement with respect to the purchase of the Bonds offered hereby. The proceeds from the sale of any of the Bonds shall be made immediately available to Diversified Energy Group for use by it. There can be no assurance that the proceeds therefrom will be adequate to allow Diversified Energy Group to meet its objectives.

3. Representations and Warranties

(a) The undersigned represents and warrants that he or she and the person (or persons) designated on the Signature Page hereof or elsewhere in the subscription documents as Purchaser Representative of the undersigned ("Purchaser Representative"), if any, has received and carefully read and is familiar with this Subscription Agreement and Exhibits thereto, has based the decision to invest solely on the information contained in this Subscription Agreement, the Diversified Energy Group Private Placement Memorandum dated October 6, 2011, Diversified Energy Group Business Plan contained therein and on documents, records, books and other information referred to in this Subscription Agreement obtained

from Diversified Energy Group and independent investigations made by the undersigned and/or his or her Purchaser Representative(s) and has not been furnished with any other offering literature or prospectus.

(b) The undersigned represents and warrants that if he or she is a natural person: he or she is at least twenty-one (21) years of age, is a citizen of the Bonded States of America and maintains his or her domicile, and is not a transient or temporary resident, at the address shown on the Signature Page of this Subscription Agreement.

(c) The undersigned represents if he is the signee for a corporation, partnership, limited liability company, association, trust or unincorporated organization: (A) the subscribing entity has full authority under its governing instruments and applicable law to purchase the Bonds; (B) the purchase of the Bonds has been duly authorized; and (C) the individual signing this Subscription Agreement has actual authority to execute this Subscription Agreement on behalf of the subscribing entity.

(d) The undersigned understands that the Bonds have not been registered under the Securities Act or the securities laws of any state and, as a result thereof, are subject to substantial restrictions on transfer.

(e) The undersigned understands that the Bonds for which the undersigned hereby subscribes shall be stamped or otherwise imprinted with a legend substantially in the following form:

The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state and have been acquired for investment purposes only, and may not be sold, transferred, pledged, or hypothecated in the absence of any effective registration statement for such securities under the Securities Act and any applicable state securities laws or an opinion of counsel acceptable to counsel for Diversified Energy Group that registration is not required under such laws.

(f) The undersigned understands that Diversified Energy Group has imposed certain standards which prospective investors must meet to be eligible to purchase the Bonds. Diversified Energy Group shall have the right to accept or reject this subscription, in whole or in part, at any time prior to termination of the offering, or to allocate to the undersigned less than the amount of the Bonds subscribed for herein, in its sole discretion, even if the undersigned meets such standards. Diversified Energy Group will notify prospective investors whether his, her or their subscription is accepted. In the event his, her or their subscription is rejected, payment will be returned without interest and all of the rights and obligations of the parties hereunder shall terminate.

(g) The undersigned understands that if Diversified Energy Group accepts this Subscription Agreement, the undersigned is not entitled to any anti-dilution or pre-emptive rights in connection with the Bonds.

(h) The undersigned understands that no federal or state agency has approved, disapproved or made any finding or determination as to the fairness for investment, nor any recommendation or endorsement of the merits of the offering, of the Bonds.

(i) The undersigned understands that this Subscription Agreement and other information furnished by Diversified Energy Group do not constitute investment, accounting, legal or tax advice. The undersigned, in making this investment, is relying, if at all, solely upon the advice of the undersigned's personal tax advisers with respect to the federal and/or state tax aspects of the investment in the Bonds,

and neither Diversified Energy Group nor any of its officers, directors or employees has made any representation regarding the tax consequences of investment in the Bonds.

(j) If the undersigned has used the services of a Purchaser Representative in connection with this investment, such Purchaser Representative has disclosed, by submitting to the undersigned a Purchaser Representative Letter ("Purchaser Representative Letter"), under separate cover, any material relationship between such Purchaser Representative or his or her affiliates and Diversified Energy Group and its affiliates which now exists or mutually is understood to be contemplated or which has existed at any time during the previous two (2) years, and further setting forth any compensation received or to be received as a result of such relationship.

(k) The undersigned understands that the Bonds are being offered and sold in reliance on specific exemptions from the registration requirements of federal and state securities laws. Diversified Energy Group and controlling persons thereof are relying upon the truth and accuracy of the representations, warranties, agreements, acknowledgments, and understandings set forth herein in order and to determine the applicability of such exemptions and the suitability of the undersigned to acquire the Bonds.

(l) The undersigned understands that he or she is not entitled to cancel, terminate or revoke this Subscription Agreement, except as specifically set forth herein.

(m) The undersigned understands that the Bonds are being offered and sold in reliance upon specific exemptions from registration provided in the Securities Act and upon exemptions from registration under state securities laws, and the undersigned, for himself or herself and for his or her heirs, personal representatives, successors and assigns, makes the following representations, declarations and warranties with the intent that the same may be relied upon by Diversified Energy Group in determining the applicability of such exemptions and the suitability of the undersigned as a purchaser of the Bonds.

(n) The Bonds for which the undersigned hereby subscribes will be acquired solely for the account of the undersigned, for investment purposes only, and the Bonds are not being purchased with a view toward resale, distribution or for subdivision or fractionalization thereof, and the undersigned has no contract, undertaking, agreement or arrangement with any person to sell, distribute, transfer or pledge to such person or anyone else the securities which the undersigned hereby subscribes to purchase, or any interest therein, and the undersigned has no present plans to enter into any such contract, undertaking, agreement or arrangement. The undersigned further represents that he or she is acquiring the Bonds with the intention of making a profit therefrom without regard to tax consequences.

(o) The undersigned agrees not to dispose of the Bonds, or any interest therein, unless and until counsel for Diversified Energy Group shall have determined, by obtaining an opinion of counsel to the undersigned satisfactory to Diversified Energy Group, or otherwise, that the intended disposition does not violate the Securities Act or any other federal or state securities law, or the rules and regulations thereunder and that the Bonds may be transferred in reliance upon an applicable exemption from the registration requirements of the Securities Act, and any other applicable securities laws.

(p) The undersigned understands that Diversified Energy Group has no obligation or intention to register the Bonds for resale under the Securities Act or state securities laws. The undersigned further acknowledges that there are substantial restrictions on the transferability of the Bonds imposed by state and federal law; and that there will be no public market for the Bonds. The undersigned also acknowledges that the undersigned has no presumption that there will be a public offering.

Consequently, the undersigned may be precluded from selling or otherwise disposing of the Bonds for an indefinite period of time or at any particular time and may lose all of the undersigned's investment.

(q) The undersigned acknowledges that the undersigned has had an opportunity to consult with counsel and other advisers about an investment in the Bonds and that Diversified Energy Group has made available all documents, records and books pertaining to this investment requested by the undersigned and/or his or her advisors, and it has offered such person or persons an opportunity to discuss the terms and conditions of this investment with the officers of Diversified Energy Group who are responsible for the conduct of its business and to obtain any additional information, to the extent that Diversified Energy Group possesses such information or can acquire it without unreasonable effort or expense, necessary to verify the accuracy of the information given to the undersigned or otherwise to make an informed investment decision. The undersigned further acknowledges that the undersigned and the counsel and advisors for the undersigned, have reviewed, in addition to the documents, records and books above, the financial statements of Diversified Energy Group.

(r) The undersigned has, together with his or her Purchaser Representative, if any, such knowledge and experience in business and financial matters that the undersigned is, or they are, capable of evaluating the merits and risks of the investment in the Bonds.

(s) The undersigned has relied solely upon the advice of his or her advisors (if any), advice of a tax expert and independent investigations made by the undersigned and/or his or her representative(s) in deciding to invest, and no oral or other representations have been made to the undersigned regarding the Bonds.

(t) The undersigned has adequate means for providing for his or her current needs and personal contingencies and has no need for liquidity in the investment in the Bonds. The undersigned is able to bear the economic risk of losing the entire investment in the Bonds.

(u) The personal financial information provided by the undersigned herein and in the Confidential Purchaser Questionnaire concerning the undersigned is true and correct and accurately reflects the undersigned's financial condition, with respect to which the undersigned does not anticipate any material adverse changes.

(v) All of the undersigned's investments in and commitments to non-liquid investments are, and after this purchase will be, reasonable in relation to the undersigned's net worth and current needs, and the personal financial information provided by the undersigned accurately reflects the undersigned's financial condition, with respect to which the undersigned does not anticipate any material adverse changes.

4. The information set forth herein concerning the undersigned is true and correct.

(a) The undersigned recognizes that the offer of the Bonds to the undersigned was based upon his or her representations, warranties and acknowledgments set forth in Section 3 hereinabove, understands the meaning of the representations made by the undersigned in this Subscription Agreement and hereby agrees to indemnify Diversified Energy Group and all of its officers, directors, employees and agents and all persons deemed to be in control of the foregoing, and to hold such persons harmless, from and against any and all loss, damage, liability or expense, including costs and reasonable attorneys' fees, to which they may be put or which they may incur by reason of, or in connection with: (i) any misstatement, misrepresentation or omission made by or on behalf of the undersigned with respect to the matters about

which representations and warranties are required by the terms of this Subscription Agreement; or (ii) any breach of any such representations or warranties or any failure to fulfill any covenants or agreements set forth herein, including, but not limited to, any sale, transfer or other disposition of all or any part of the Bonds to or by the undersigned in violation of the Securities Act, as amended, or other applicable law. All representations, warranties and covenants contained in this Subscription Agreement, and the indemnification contained in this Section 4, shall survive the acceptance of this subscription.

(b) This Subscription Agreement and the representations and warranties contained herein shall be binding upon the heirs, personal representatives, successors and assigns of the undersigned and shall, if the investor consists of more than one person, be the joint and several obligations of all such persons.

(c) The undersigned acknowledges and agrees that this Subscription Agreement and all representations contained herein shall survive: (i) changes in the transactions, documents and instruments described in this Subscription Agreement which, in the aggregate, are not material or which are contemplated by this Subscription Agreement, and (ii) the death or disability of the undersigned, provided, however, that if Diversified Energy Group shall not have accepted this subscription on or before the earlier of March 31, 2012 (or 90 days thereafter, if Diversified Energy Group elects to extend the offering period), this Subscription Agreement and all agreements of the undersigned hereunder shall, at the option of the subscriber, be canceled, terminated and revoked.

(d) This Subscription Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

(e) All pronouns contained herein and any variations thereof shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the case may be and as the context may require. This Subscription Agreement constitutes the entire understanding of the parties with respect to the subject matter hereof and supersedes all prior or contemporaneous agreements or understandings of the parties related hereto. This Subscription Agreement may only be modified or amended by an instrument in writing signed by all parties hereto.

(f) The undersigned agrees that neither this Subscription Agreement nor any rights which may accrue to him or her hereunder may be transferred or assigned without the prior written consent of Diversified Energy Group.

5. "Accredited Investor" Status. The undersigned represents that they fall within one of the following definitions of Accredited Investor:

For individuals:

- The undersigned is a natural person whose individual net worth, or joint net worth with spouse, exceeds \$1,000,000 at the time of purchase of the Investment Securities.
- The undersigned is a natural person who had an individual income in excess of \$200,000 in each of the last two years or joint income with spouse in excess of \$300,000 in each of those years and reasonably expects to reach the same income level in the current year.

- The undersigned is either a director, executive officer or general partner of the Company, or a director, executive officer or general partner of a general partner of the Company.

As an Accredited Investor, the undersigned further certifies that: (i) the undersigned (or the undersigned's professional advisor(s)) has the capacity to protect the undersigned's interests in this investment; (ii) the undersigned is able to bear the economic risks of this investment; and (iii) the amount of the investment does not exceed 10% of the undersigned's net worth or joint net worth with spouse.

For entities:

- The undersigned is an institutional investor as provided in Regulation Section 230.501(a)(1) under the Securities Act of 1933.

- The undersigned is a private business development company within the meaning of Section 202(a)(22) of the Investment Advisers Act of 1940.

- The undersigned is any organization described in Section 501(c)(3) of the Internal Revenue Code, not formed for the specific purpose of acquiring the Investment Securities, with total assets in excess of \$5,000,000.

- The undersigned is a trust with total assets in excess of \$5,000,000, not formed for the special purpose of acquiring the Investment Securities, whose investment is directed by a person described in Regulation Section 230.506(b)(2)(ii) under the Securities Act of 1933.

- The undersigned is an entity owned entirely by any of the persons (individual or entity) described above.

DIVERSIFIED ENERGY GROUP, INC.

SIGNATURE PAGE

IN WITNESS WHEREOF, and intending to be legally bound hereby, the undersigned has caused this Subscription Agreement to be duly executed this _____ day of _____, 201__ and, by executing this Signature Page, hereby executes, adopts and agrees to all terms, conditions and representations contained in the foregoing Subscription Agreement.

SUBSCRIBER(S):

Individuals sign below:

Signature Social Security Number

Print Name Date

Signature of joint investor, if applicable Social Security Number

Print name of joint investor, if applicable Date

- Check One (if applicable) Tenants in Common
 JTWROS
 Tenants by Entirety

Partnerships, Trusts and other entities sign below:

Name of Entity: _____

By: _____
Signature Taxpayer Identification Number

Print name

Title

All Subscribers, please complete the following:

Residence Address:

Mailing Address, if different from
Residence Address:

Date: _____

Residence Address:

Mailing Address, if different from
Residence Address:

Home Telephone: _____

Work Telephone: _____

Email Address: _____

Date: _____

Number of Bonds subscribed for: _____

FOR DIVERSIFIED ENERGY GROUP USE ONLY

Amount Enclosed: \$ _____

Subscription accepted as to

Bond(s)

Diversified Energy Group, Inc.

Dated: _____, 201__

By: _____

Name: _____

Title: _____

PENGAID 800-831-6888
EXHIBIT
 158
 GB 7/19/13

Why DEG 9.25% Corporate Bonds?

Benefits	
Reliable Quarterly Interest	4 Checks Per Year
Backed by Domestic Oil & Gas Reserves	Domestic Oil & Gas in High Demand
Institutional Diversification	Geographical, Geological and Operational
Unmatched Opportunity	Annual 9.25% Return on Investment
Liquidity	Total Principal & Interest paid in 12 Months
Appropriate for Qualified Plans	Self Directed IRA or 401K Approved

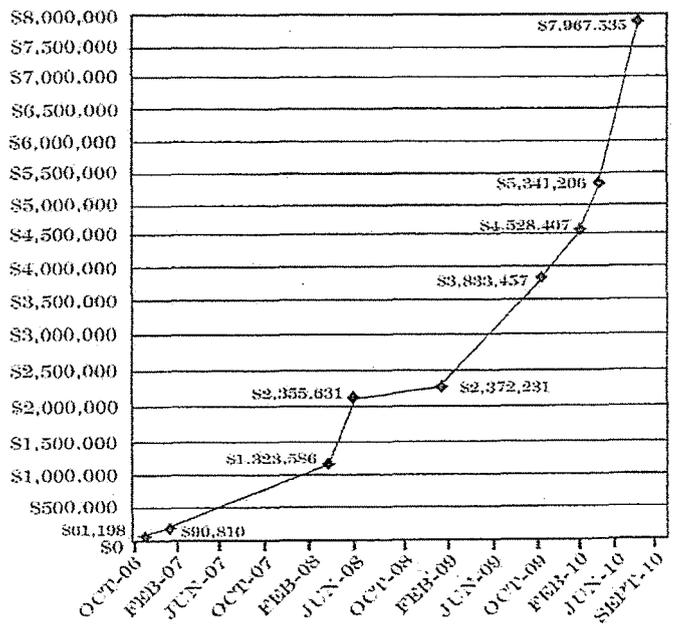
What do I own?

- A Registered Corporate Bond Paying 9.25% Annually Over a 12 Month Period
- A Financial Instrument Backed by Over \$7.9 Million in Assets, Continually Growing

Diversified Revenue Sources:

- Multiple States & Geological Fields
- Multiple Operators
- 09 Average Monthly Net ROI of 11.29% from Hedge Account (for asset protection)
- Monthly Income from Producing Oil & Gas Wells

Assets



What our Bondholders are saying:

- "DEG corporate bonds have given my portfolio the solid, steady returns it had been lacking. The monthly payout has really changed the old standard of waiting for performance."
 -- Steven, Florida
- "I needed income. This has been perfect!"
 -- Richard, California
- "Thank you for your service and product."
 -- Dan, Kentucky

PENGAID-Bayonne N.J.
EXHIBIT
 6

Experienced and Disciplined Approach

Identify

An Experienced Location and Acquisition Team boasting a proven prior track record with such companies as Chesapeake Energy, Marathon Oil, Union Pacific, Hess and Torch Energy, to name a few.

Full economic and geological data reviewed and evaluated by our experienced Geologist with over 30 years spent with BP/ Amoco and Chevron.

Acquire

Our proven team negotiates every prospect to ensure discounted prices of acquisitions.

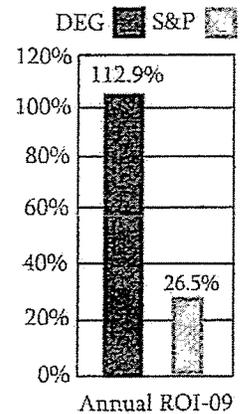
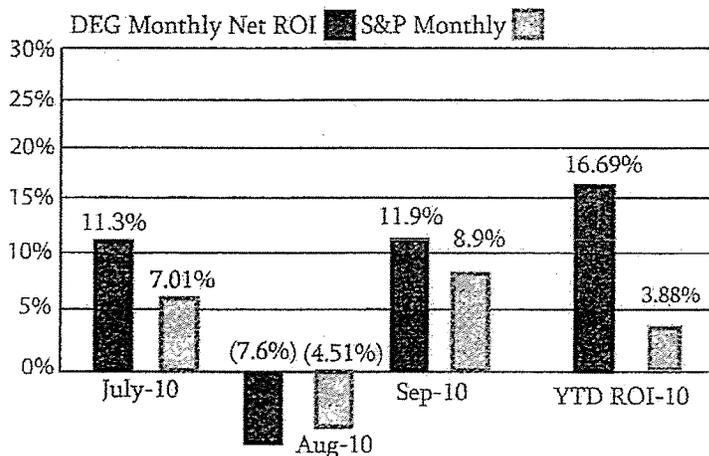
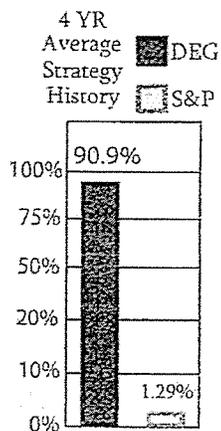
By acquiring producing assets, drilling costs--and subsequent risks--are eliminated, saving hundreds of thousands of dollars. These savings enable us to pay a greater return to our Bondholders.

Manage Assets

Maintaining a diverse portfolio of acquisitions requires quality asset management, simplifying the return for our investors.

Diversified currently owns over \$7.9 million in Oil & Gas reserves, and related assets, creating monthly income.

Hedging assets are managed with our comprehensive technical analysis software program.



This is one of the most exciting financial opportunities of the decade...Imagine an opportunity being offered that can increase the returns on your existing portfolio, IRA, or 401K. Imagine not having to worry about the constant rollercoaster ride of the stock market or the never ending decline in Money Market interest rates. DEG is proud to offer an outstanding financial instrument that is designed for the individual who wants control over their dollars as they grow. The company has demonstrated success in the energy industry, owning proven producing wells in multiple states. DEG realizes that the surest approach to successful growth is through the acquisition of established producing wells that offer a track record of production.

Diversified Energy Group Inc. is a privately held domestic oil and gas company that focuses on practical energy solutions to our country's dependence on foreign oil. While the overall investment climate may be a virtual mine field, DEG is embracing the opportunity to build its valuation and provide a stable return for its investors.

The basis of this program is to create stability for individuals, while still delivering a gain of over six times the national average for a 1-year fixed instrument. DEG is able to offer such a program because of the return on investment being generated by current company investments, including the company's producing oil and gas assets. By acquiring producing wells that have a track record of performance, DEG reduces the risks normally associated with oil and gas exploration. That performance is currently being passed along to investors.

How to Make DEG Part of Your Long Term Plan

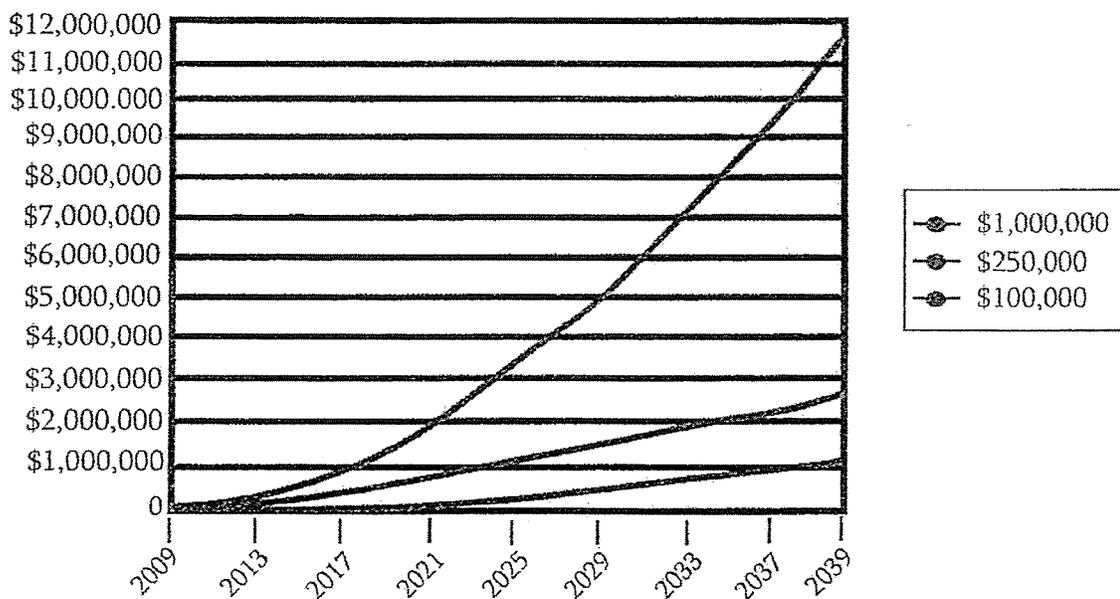
The Compound Annual Growth Rate (CAGR) of the Standard & Poor's 500 over the past 20 years is 5.91%. Over that span, the S&P 500 only recorded a fiscal year loss on 5 occasions. However, 4 of those years were in the last decade, indicating an overall drop in performance, and resulting in the Index's first losing decade. As investors shift toward more fixed returns, DEG Corporate Bonds present an excellent alternative.

Long term wealth is rarely achieved in short market moves. More often than not, it requires a steady return over an extended period of time. By avoiding the substantial declines almost inevitably felt in the most balanced portfolios, Diversified Energy Group is able to offer its Bondholders a consistent return, without the recent erratic fluctuation of the most stable market index.

The below chart demonstrates why DEG Corporate Bonds should be a part of any active or retirement portfolio.



30 Year Reinvestment



Series 2011B 9.25% Corporate Bond Schedule

	Bond Value	Interest Payment	Total Return
Month 1	\$10,000.00		
Month 3		\$231.25	
Month 6		\$231.25	
Month 9		\$231.25	
1 Year		\$231.25	
Totals		\$925.00	\$10,925.00

	Bond Value	Interest Payment	Total Return
Month 1	\$25,000.00		
Month 3		\$578.12	
Month 6		\$578.12	
Month 9		\$578.12	
1 Year		\$578.14	
Totals		\$2,312.50	\$27,312.50

	Bond Value	Interest Payment	Total Return
Month 1	\$50,000.00		
Month 3		\$1,156.25	
Month 6		\$1,156.25	
Month 9		\$1,156.25	
1 Year		\$1,156.25	
Totals		\$4,625.00	\$54,625.00

	Bond Value	Interest Payment	Total Return
Month 1	\$75,000.00		
Month 3		\$1,734.37	
Month 6		\$1,734.37	
Month 9		\$1,734.37	
1 Year		\$1,734.39	
Totals		\$6,937.50	\$81,937.50

By repaying interest quarterly, DEG Corporate Bonds create a measure of liquidity while continuing to earn a fixed rate. The returned capital provides our investors the flexibility to receive quarterly income or re-invest into DEG's Bond Program. Superior to traditional fixed income instruments, DEG's Corporate Bonds enable our investors to make smart decisions without being tied down or penalized in a long term vehicle.

Key Contact Information

Our Team is Here for You...

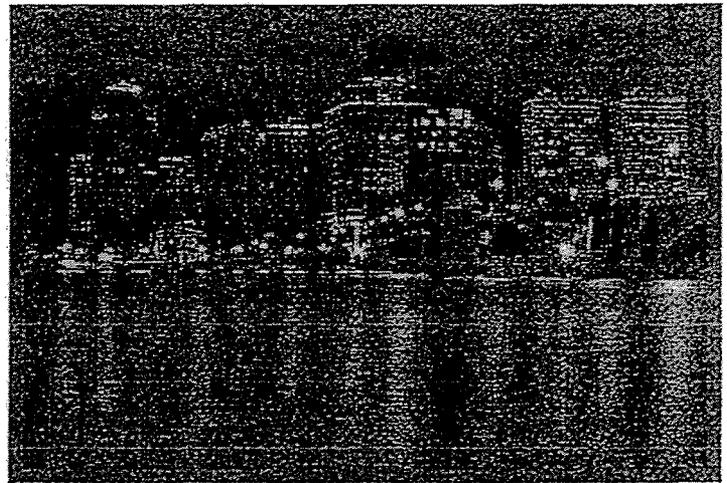
CONTACT INFORMATION

Matthew D. Welch
VP of Investor Relations
Diversified Energy Group, Inc.
Phone: 877.645.6777
E-mail: mwelch@degoil.com

SUBSCRIPTION DOCUMENTS

Candie Vitani
Office Manager
Diversified Energy Group, Inc.
Phone: 877.645.6777
E-mail: cvitani@degoil.com

Diversified Energy Group Inc.
758 N. US Highway One
Tequesta, FL 33469
877.645.6777 / 561.745.6070
degoil.com



Past performance is not necessarily indicative of future results. Bonds are subject to risks, including risks associated with price volatility of oil, natural gas, government, environmental or regulatory risks, operating hazards that could adversely impact production on the properties, risks associated with reserve estimates and production volumes. Additional risks and suitability standards are outlined in the PPM.

This document is neither an offer to sell nor the solicitation of an offer to buy any security. Investments into DEG's Bond program can only be made through jurisdictions in which such offer or solicitation is authorized, and to persons who meet the requirement and make the representations set forth in the Subscription Agreement and Suitability Questionnaire. The securities offered are exempt from registration under the securities Act of 1933, as amended, and applicable state laws. No person has been authorized to give information or to make any representation concerning the securities referred to in this document or on behalf of the issuer other than as contained in the PPM.

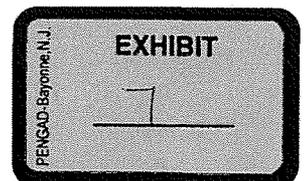
Kylie Bellisari

From: Candie Vitani [cvitani@degoil.com]
Sent: Thursday, October 27, 2011 9:31 AM
To: Matthew Welch
Subject: Finder's Fees 2010 report
Attachments: Finders Fees 2010.xlsx

Candie Vitani
Diversified Energy Group, Inc.
Phone 561-804-6777
Fax 561-745-6070
<http://www.degoil.com>

5/14/2013

FOIA Confidential Treatment Requested



Diversified 32658

9:13 AM
10/27/11

Diversified Energy Group, Inc
Vendor QuickReport
January through December 2010

Date	Memo	Amount
Scurlock, Hampton		
01/08/2010	Lewis	\$ 250.00
02/16/2010	Truax, King & Gimmel	\$ 2,750.00
03/25/2010	Williams	\$ 1,000.00
05/04/2010	Hendren, Lawrence & Reid	\$ 4,050.00
05/05/2010	Sheahan	\$ 2,500.00
05/11/2010	MacPherson	\$ 1,000.00
05/19/2010	Baldwin & Williams	\$ 2,000.00
05/28/2010	Clem	\$ 2,500.00
06/11/2010	Qualls	\$ 7,000.00
06/18/2010	Canupp	\$ 2,000.00
06/21/2010	Fryman & Elswick	\$ 9,900.00
06/23/2010	Williams	\$ 1,000.00
06/28/2010	Garrett	\$ 1,500.00
06/30/2010	Frances	\$ 1,000.00
07/01/2010	Dunn & Gough	\$ 2,990.00
07/06/2010	Spiller	\$ 1,000.00
07/12/2010	Gimmel	\$ 1,250.00
07/16/2010	Canupp	\$ 4,245.00
07/19/2010	White, Petrucelli, Scurlock, Roberts	\$ 5,050.00
07/22/2010	Sims	\$ 2,000.00
07/29/2010	Rogers	\$ 7,000.00
08/05/2010	J. Harrison	\$ 3,000.00
08/10/2010	M Britt, Herbert	\$ 4,000.00
08/11/2010	Everling	\$ 1,400.00
08/17/2010	Frazier	\$ 16,000.00
08/26/2010	Scurlock, Williams reinvestment	\$ 10,505.62
08/30/2010	Vandiviere	\$ 1,000.00
08/31/2010	Lewis, Thomas, Towles	\$ 1,750.00
09/09/2010	Sharp, Allender, Lane	\$ 2,000.00
09/15/2010	Witt	\$ 1,200.00
09/29/2010	Bond #0352 Bond Buy Down	\$ (5,000.00)
10/04/2010	Aikens, Wallen	\$ 14,000.00
10/14/2010	Perel	\$ 3,000.00
10/22/2010	Fryman	\$ 5,000.00
10/28/2010	Nesemeier	\$ 900.00
11/03/2010	Isaac	\$ 1,319.80
12/10/2010	Goodlett	\$ 2,000.00
12/27/2010	Williams	\$ 468.72
12/28/2010	Frances & Towles	\$ 1,500.00
		<u>\$ 126,029.14</u>

Kylie Bellisari

From: Matthew Welch [mwelch@degoil.com]
Sent: Wednesday, January 04, 2012 4:00 PM
To: scurlockfinancial@yahoo.com; hampton@retirementtag.com
Subject: FW: Scurlock 2011
Attachments: Scurlock 2011.xlsx

Hampton,

See attached.

From: Candie Vitani [mailto:cvitani@degoil.com]
Sent: Wednesday, January 04, 2012 3:19 PM
To: Matthew Welch
Subject: Scurlock 2011

Candie Vitani
Diversified Energy Group, Inc.
Phone 561-804-6777
Fax 561-745-6070
<http://www.degoil.com>

5/16/2013

FOIA Confidential Treatment Requested

Diversified 34833

3:14 PM
01/04/12

Diversified Energy Group, Inc
Vendor QuickReport
January through December 2011

<u>Date</u>	<u>Memo</u>	<u>Amount</u>
01/07/2011	Sheahan, Scurlock, Gimmel	-4,500.00
01/10/2011	Witt	-6,000.00
01/20/2011	Qualls	-4,000.00
01/31/2011	Rogers	-332.71
02/08/2011	Hinz & Euster	-7,000.00
02/14/2011	MacPherson	-154.04
02/24/2011	Fitch	-12,500.00
03/03/2011	Chandler	-8,000.00
03/07/2011	Aikens & Clem	-11,500.00
03/11/2011	Garrett	-4,000.00
03/14/2011	Qualls	-539.14
03/17/2011	Frazier	-820.00
03/21/2011	Gimmel	-1,000.00
03/23/2011	L. Harrison	-1,000.00
04/14/2011	Cox & Snyder	-14,000.00
04/19/2011	Spiller	-1,000.00
04/25/2011	Rogers	-3,204.00
04/26/2011	Williams & Zemsky	-2,955.78
05/04/2011	Aikens	-10,000.00
05/04/2011	Baldwin	-1,500.00
05/05/2011	Reid & Hendren	-4,100.00
05/06/2011	Sheahan	-5,000.00
05/10/2011	MacPherson	-2,055.16
05/18/2011	D. Williams	-1,023.75
05/19/2011	Baldwin	-1,000.00
05/26/2011	Clem	-2,500.00
06/10/2011	Qualls	-7,193.05
06/17/2011	Canupp's	-2,000.00
06/22/2011	William's	-1,132.08
06/29/2011	Frances'	-1,000.00
06/30/2011	Hendren	-1,000.00
07/01/2011	Spiller's	-1,000.00
07/11/2011	Gimmel's	-1,000.00
07/15/2011	Frazier and Canupp x 2	-5,896.00
07/21/2011	Sims	-1,600.00
07/25/2011	F. Gimmel & S. Gimmel	-2,000.00
07/27/2011	Roger's	-5,600.00
08/04/2011	Harrison's	-2,400.00
08/09/2011	Molly Britt	-1,600.00
08/16/2011	Petrucelli & Frazier	-16,272.86
08/24/2011	Williams	-681.31
08/30/2011	Lewis	-400.00
09/09/2011	Lane & Allender	-800.00
09/14/2011	Clem & Witt	-2,460.00

3:14 PM
01/04/12

Diversified Energy Group, Inc
Vendor QuickReport
January through December 2011

10/03/2011 Witt & Aikens	-18,500.00
10/06/2011 Wallen	-3,200.00
10/19/2011 Witt	-3,600.00
10/20/2011 Perel	-2,400.00
10/21/2011 Fryman & Harmon	-8,411.15
11/03/2011 Thornton	-2,500.00
11/09/2011 Harrison	-1,000.00
11/16/2011 P. Frazier	-409.57
11/28/2011 Euster	-3,000.00
12/08/2011 Goodlett	-1,600.00
12/23/2011 Truax	-3,000.00
12/27/2011 Frances	-800.00
12/29/2011 Smith	-1,000.00

2011 Total

-213,140.60

Federal Deposit Insurance Corporation

Regions Bank (FDIC #: 12368)

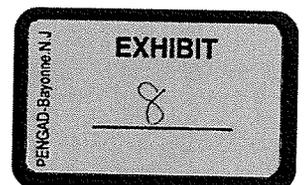
Status: Active • Insured Since January 1, 1934

Regions Bank is an active bank

Data as of: May 6, 2015

Overview	Locations	History	Identifications	Financials
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<ul style="list-style-type: none"> ● Regions Financial Corporation Bank Holding Company ● Regions Bank Banking Institution ● 1647 Locations Branches (Offices) 	<p>Regions Bank has 1647 domestic locations in 16 states, 0 locations in territories, and 3 foreign locations</p> <p>Established: January 1, 1928</p> <p>FDIC Certificate #: 12368</p> <p>Insured: January 1, 1934</p> <p>Bank Charter Class: Member of the Federal Reserve System</p> <p>Headquarters: 1900 Fifth Avenue North Birmingham, AL 35203 Jefferson County</p> <p>Regulated By: Federal Reserve Board</p> <p>Consumer Assistance: http://www.FederalReserveConsumerHelp.gov</p> <p>Corporate Website: http://www.regions.com</p> <p>Contact the FDIC about Regions Bank</p>
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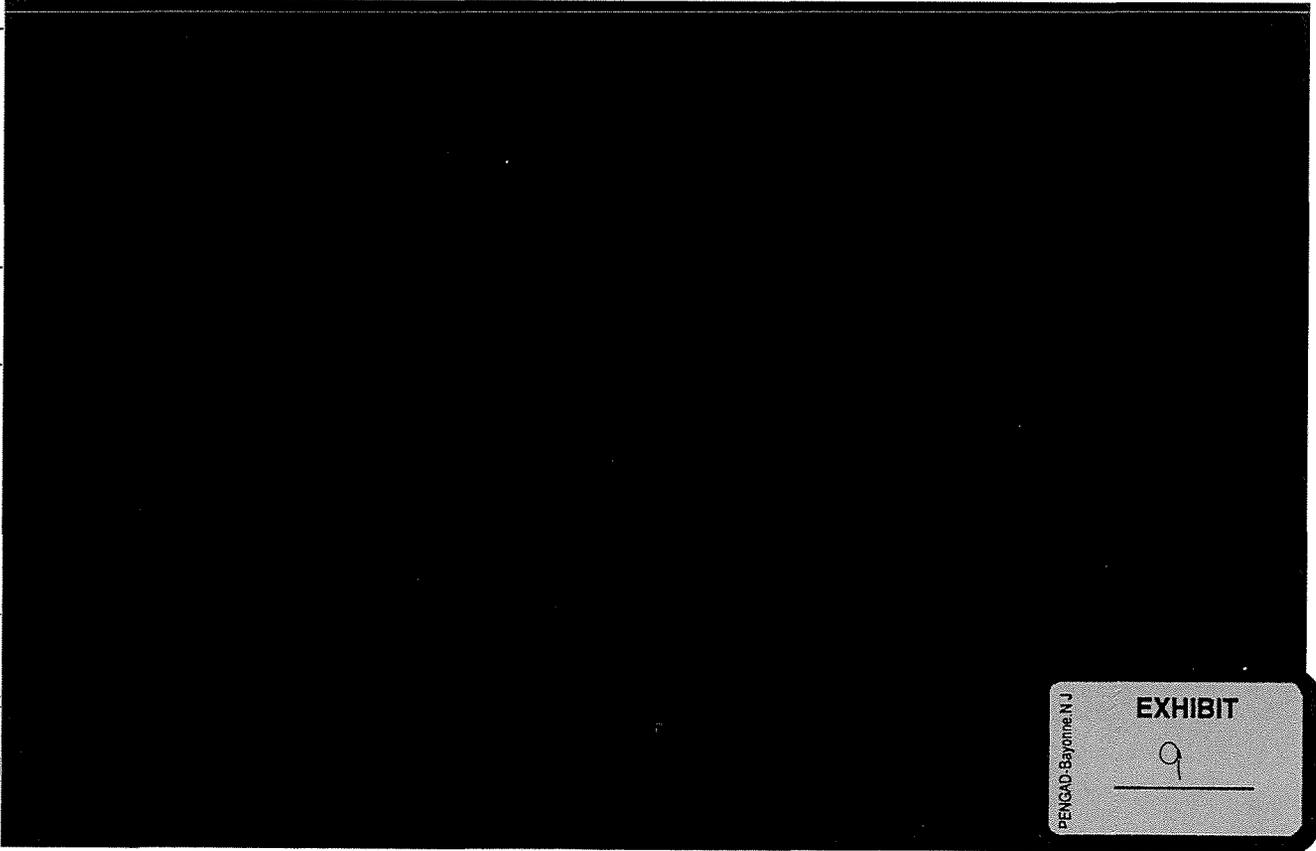


VOID CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no. DIVERSIFIED ENERGY GROUP, INC 758 North US Highway 1 Tequesta, FL 33469 561-804-6777		1 Rents \$	2 Royalties \$	OMB No. 1545-0115 2010 Form 1099-MISC	Miscellaneous Income
PAYER'S federal identification number 20-5803666	RECIPIENT'S identification number [REDACTED]	3 Other income \$	4 Federal income tax withheld \$	Copy C For Payer or State Copy	
RECIPIENT'S name, street address (including apt. no.), city, state, and ZIP code Scurlock, Hampton 160 Moore Drive #201 Lexington KY 40503		5 Fishing boat proceeds \$	6 Medical and health care payments \$		For Privacy Act and Paperwork Reduction Act Notice, see the 2010 General Instructions for Certain Information Returns.
Account number (see instructions)	2nd TIN not. <input type="checkbox"/>	7 Nonemployee compensation \$ 126029.14	8 Substitute payments in lieu of dividends or interest \$		
15a Section 409A deferrals \$	15b Section 409A income \$	9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/> \$	10 Crop insurance proceeds \$		
		11 [REDACTED]	12 [REDACTED]		
		13 Excess golden parachute payments \$	14 Gross proceeds paid to an attorney \$		
		16 State tax withheld \$	17 State/Payer's state no. \$	18 State income \$	

Form 1099-MISC

Department of the Treasury - Internal Revenue Service



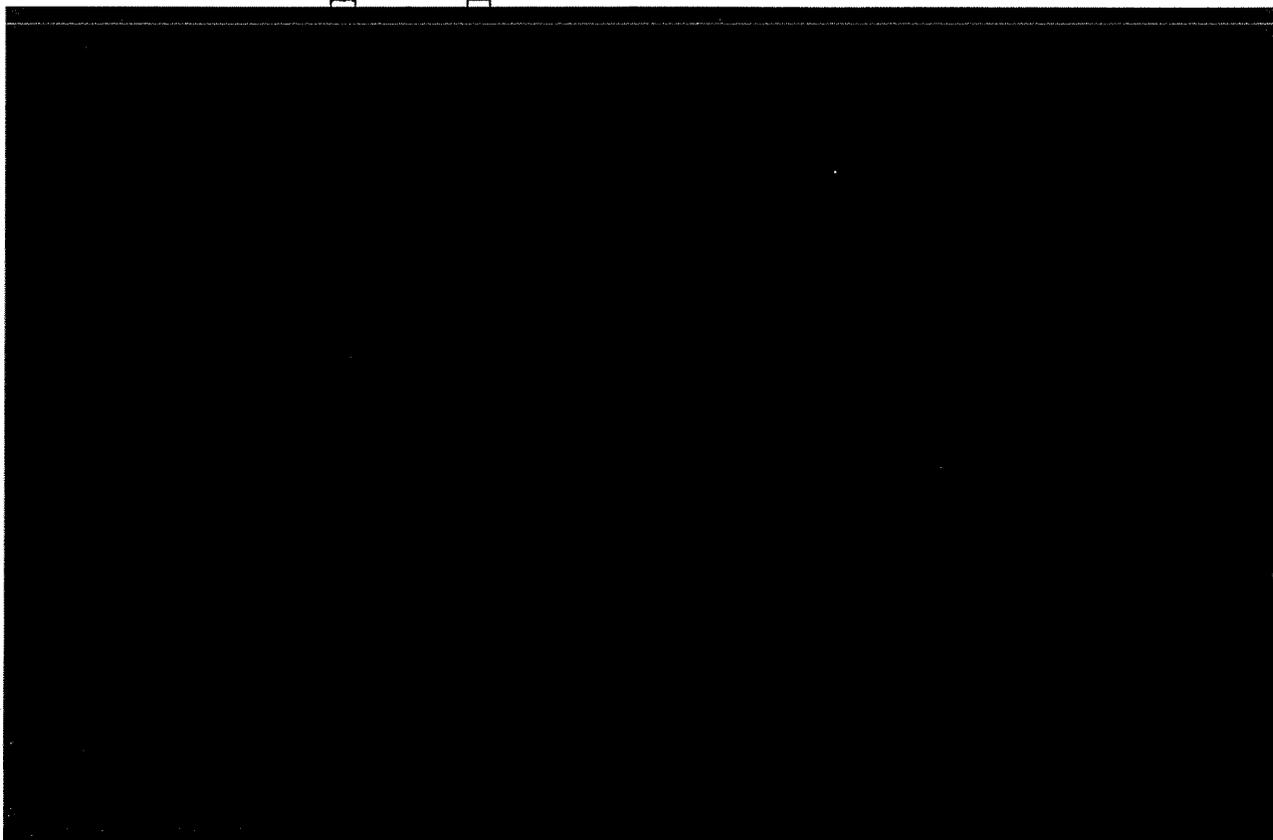
PENGAD-Bayonne NJ
EXHIBIT
9

VOID CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no. Diversified Energy Group, Inc. 758 North U.S. Highway 1 Tequesta, FL 33469		1 Rents \$	OMB No. 1545-0115 2011 Form 1099-MISC		Miscellaneous Income
PAYER'S Federal identification number 20-5803666		2 Royalties \$	3 Other income \$	4 Federal income tax withheld \$	
RECIPIENT'S name Hampton Scurlock Street address (including apt. no.) 160 Moore Drive #201 City, state, and ZIP code Lexington, KY 40503		5 Fishing boat proceeds \$	6 Medical and health care payments \$	For Privacy Act and Paperwork Reduction Act Notice, see the 2011 General Instructions for Certain Information Returns.	
Account number (see instructions)		7 Nonemployee compensation \$ 213140.60	8 Substitute payments in lieu of dividends or interest \$		
2nd TIN not. <input type="checkbox"/>		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	10 Crop insurance proceeds \$		
11		12	13 Excess golden parachute payments \$		
14 Gross proceeds paid to an attorney \$	15a Section 409A deferrals \$	15b Section 409A income \$	16 State tax withheld \$	17 State/Payer's state no.	18 State income \$

Form 1099-MISC

Department of the Treasury - Internal Revenue Service



9595

VOID CORRECTED

PAYER'S name, street address, city, state, ZIP code, and telephone no. DIVERSIFIED ENERGY GROUP, INC 758 NORTH US HIGHWAY 1 THEQUESTA, FL 33469 961-804-6777		1 Rents \$	2 Royalties \$	3 Other income \$	4 Federal income tax withheld \$	OMB No. 1545-0118 2012 Form 1099-MISC	Miscellaneous Income
PAYER'S federal identification number 20-5803666	RECIPIENT'S identification number [REDACTED]	5 Fishing boat proceeds \$	6 Medical and health care payments \$	7 Nonemployee compensation \$ 93,441.09	8 Substitute payments in lieu of dividends or interest \$		
RECIPIENT'S name Scurlock		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>		10 Crop insurance proceeds \$	For Privacy Act and Paperwork Reduction Act Notice, see the 2012 General Instructions for Certain Information Returns.		
Street address (including apt. no.) 160 Moore Drive #201		11	12	13 Excess golden parachute payments \$		14 Gross proceeds paid to an attorney \$	
City, state, and ZIP code Lexington KY 40503		15a Section 409A deferrals \$		15b Section 409A income \$		16 State tax withheld \$	17 State/Payer's state no. \$
Account number (see instructions)		2nd TIN not <input type="checkbox"/>		18 State income \$			

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PAYER'S name, street address, city, state, ZIP code, and telephone no. DIVERSIFIED ENERGY GROUP, INC 758 NORTH US HIGHWAY 1 TEQUESTA, FL 33469 561-804-6777		1 Rents \$	OMB No. 1545-0115 2012 Form 1099-MISC		Miscellaneous Income
PAYER'S federal identification number 20-5803666		2 Royalties \$	4 Federal income tax withheld \$		
RECIPIENT'S identification number [REDACTED]		3 Other income \$	6 Medical and health care payments \$		Copy A For Internal Revenue Service Center File with Form 1096.
RECIPIENT'S name Scurlock, Hampton		5 Fishing boat proceeds \$	8 Substitute payments in lieu of dividends or interest \$		
Street address (including apt. no.) 160 Moore Drive #201		7 Nonemployee compensation \$ 8638.90	9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>		For Privacy Act and Paperwork Reduction Act Notice, see the 2012 General Instructions for Certain Information Returns.
City, state, and ZIP code Lexington KY 40503		10 Crop insurance proceeds \$	11		
Account number (see instructions)		12	13 Excess golden parachute payments \$		
2nd TIN not <input type="checkbox"/>		14 Gross proceeds paid to an attorney \$			
15a Section 409A deferrals \$	15b Section 409A income \$	16 State tax withheld \$	17 State/Payer's state no.	18 State income \$	

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PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Rents \$	OMB No. 1545-0115 2012 Form 1099-MISC		Miscellaneous Income
PAYER'S federal identification number		2 Royalties \$	4 Federal income tax withheld \$		
RECIPIENT'S identification number		3 Other income \$	6 Medical and health care payments \$		Copy A For Internal Revenue Service Center File with Form 1096.
RECIPIENT'S name		5 Fishing boat proceeds \$	8 Substitute payments in lieu of dividends or interest \$		
Street address (including apt. no.)		7 Nonemployee compensation \$	9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>		For Privacy Act and Paperwork Reduction Act Notice, see the 2012 General Instructions for Certain Information Returns.
City, state, and ZIP code		10 Crop insurance proceeds \$	11		
Account number (see instructions)		12	13 Excess golden parachute payments \$		
2nd TIN not <input type="checkbox"/>		14 Gross proceeds paid to an attorney \$			
15a Section 409A deferrals \$	15b Section 409A income \$	16 State tax withheld \$	17 State/Payer's state no.	18 State income \$	

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PAYER'S name, street address, city, state, ZIP code, and telephone no. Diversified Energy Group, Inc. 758 N. US Highway 1 Tequesta, FL 33469		1 Rents \$	OMB No. 1545-0115 2012 Form 1099-MISC		Miscellaneous Income
		2 Royalties \$			
		3 Other income \$	4 Federal income tax withheld \$		Copy A For Internal Revenue Service Center File with Form 1096.
PAYER'S federal identification number 20-5803666	RECIPIENT'S identification number 56-2518035	5 Fishing boat proceeds \$	6 Medical and health care payments \$		
RECIPIENT'S name Retirement Tax Advisory Group		7 Nonemployee compensation \$ 95441.09	8 Substitute payments in lieu of dividends or interest \$		For Privacy Act and Paperwork Reduction Act Notice, see the 2012 General Instructions for Certain Information Returns.
Street address (including apt. no.) 160 Moore Drive #201		9 Payer made direct sales of \$5,000 or more of consumer products to a buyer (recipient) for resale <input type="checkbox"/>	10 Crop insurance proceeds \$		
City, state, and ZIP code Lexington, KY 40503		11	12		
Account number (see instructions)	2nd TIN no. <input type="checkbox"/>	13 Excess golden parachute payments \$	14 Gross proceeds paid to an attorney \$		
15a Section 409A deferrals \$	15b Section 409A income \$	16 State tax withheld \$	17 State/Payer's state no.	18 State income \$	

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